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No. 26.770

Tuesday September 16 1975

**10p

FINANCIAL TIMES



On stream
On time
with Capper-Neill
On site

NEWS SUMMARY

GENERAL

London letter bombs rise 3.3%: gilts improve

The delivery of two letter bombs in London yesterday led police to warn that they might be the start of another explosive-mail campaign and to advise extreme caution with any suspicious post.

Both devices were posted in Dublin where, last night, theories about their originators ranged from the Provos to dismounted IRA "freelances." No one has yet claimed responsibility.

The bombs, both concealed in hollowed-out paperback books, inflicted minor injuries on Lady Onslow, 60, at her Kensington home and on a 30-year-old secretary at Alcan Aluminium in Mayfair.

In 1973, Lady Onslow acted as a contact between self-styled spy Kenneth Littlejohn and the British Government. Alcan's Irish connection appeared to be its recently announced plans for a £170m plant in the Republic.

A full alert security operation was initiated at the Old Bailey yesterday for the start today of the trial of three Irishmen and a teenage girl accused of last October's Guildford pub bombings in which five died.

11 charged after Yard raids

Scotland Yard said last night that eight men had been charged with conspiracy to defraud the Royal Insurance Company of £153,369. Two others were charged under the Explosives and Explosives Act and another for dishonestly breaking precious stones. The charges followed arrests made in weekend raids on homes in East Anglia and London. Ten will appear in court in Great Yarmouth to-day.

Maudling to stay

Mr. Reginald Maudling, "shadow" Foreign Secretary, said yesterday he would not resign because of references to his name in the Malta corruption proceedings involving the former Poulson empire. He was surprised his name had been mentioned at the trial and said he had had no approaches from the Maltese authorities. He confirmed he was interviewed recently by police officers investigating the Poulson affair.

Girls freed

Two tearful English schoolgirls, Terese Laws and Lynn Francis, were set free and told to go home to school by a Nairobi magistrate yesterday. He had found them guilty of currency smuggling offences, but he blamed their mothers, with whom they were reunited, for allowing them to fall into the hands of the plotters.

Jensen 'broke'

Another famous British quality car marque went into receivership yesterday. Jensen Motors chairman Mr. Kjell Ovrale blamed inflation, the oil crisis, labour troubles and exhaust and safety legislation. Back Page, Page 8

Olympics on TV

Settlement of the dispute over payment for rights means that Britain will get its promised 170 hours of TV coverage of the 1976 Montreal Olympics. Page 8

People and places

A runaway train careered down hill killing three people and injuring six others in Linton, Shropshire. University research team believes it may have found an antidote for poisoning by the weedkiller paraquat.

Balders who drove a car into the window of a Natwest bank in Waltham Cross, Essex, got away with £10,000. Leicestershire won the County Cricket champion-hip for the first time. Page 23

CHIEF PRICE CHANGES YESTERDAY

(Prices in price unless otherwise indicated)

RISES	
Treasury 12.5% 1985 ENG. + 1	
Alexanders Discount 207 + 12	
BBA Group 55 + 4	
Jubilee & Wilcox 117 + 4	
Southgate 305 + 6	
Bonfield & Loxley 26 + 3	
Rowntree 156 + 5	
DRG 101 + 5	
Guardian Royal Ex. 190 + 5	
Himbres 190 - 10	
Holland Distillers 194 + 7	
Hoffmann (S.) 91 + 5	
Howard Machinery 44 + 4	
ICI 271 + 8	
Latham (James) 123 + 8	
Lloyds Bank 220 + 5	
Karn & Williamson 98 + 4	
News International 103 + 6	
Pilkington 249 + 5	
FALLS	
Appleyard 32 - 3	
Furness Withy 225 - 3	
Law & Bonar 138 - 4	
Reynolds Parsons 58 - 3	
Sunley (Bernard) 178 - 3	
United Biscuits 90 - 4	
White Child & Bony 39 - 4	
Wood Hall Trust 15 - 4	
Gold Mrs. Kalmar 90 - 5	
Hampton Areas 80 - 6	
Oakbridge 61 - 4	

Tories will trim Welfare State, says Mrs. Thatcher

BY JOHN BOURNE, LOBBY EDITOR

The next Tory Government would seek to trim the provisions of the Welfare State, and reverse the trend towards redistribution of wealth and incomes, Mrs. Margaret Thatcher, Conservative Party Leader, said in a major speech due to be delivered in New York last night.

"Government must limit its responsibility have turned sour actions where their size and in practice have been too large, baron profits, investment. Our people are making an innovative and future growth. It attempt to identify and eliminate must temper what may be errors and fallacies, to consolidate, desirable with what is date and retrench before economically reasonable," Mrs. Thatcher was due to tell the Institute of Socio-Economic Studies.

The British Government must strike a proper balance between the growing demands and powers of the State and the vital role of private enterprise.

This was by far the best method of harnessing the energy and ambition of the individual to increase the wealth of the nation, pioneering new products and technologies, holding down prices through the mechanism of competition, and widening the range of choice of goods, services and jobs.

The ideas of the "progressive" consensus about the provision of social welfare and redistribution of wealth in Britain were being questioned right across the political spectrum, the speech added.

"It is not that our people are suddenly reverting to the ideals of total laissez-faire, or rejecting the social advances of recent decades.

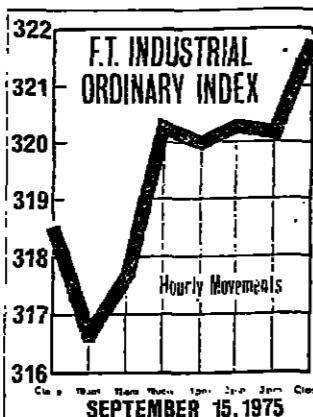
The rich are getting poorer. A recent opinion poll had shown there was little spontaneous demand in Britain for redistribution of earnings across broad occupational categories, and that such redistribution would not ease the pressure for more pay.

Continued on Back Page

Constructive

"Rather, they are reviving a sober and constructive interest in the noble ideals of personal responsibility, because in some respects the concepts of social

Continued on Back Page



STERLING lost 10 points to \$2.1660. Its weighted depreciation was unchanged at 27.4 per cent. The dollar's fall narrowed to 2.49 (2.52) per cent.

WALL STREET closed 6.10 lower at 803.19 in the slowest trading since November because of the You-Kid-It Report.

U.S. manufacturing and trade stocks fell 5580 in July considerably more than the June decline of \$125m. This suggests there is still no end to the de-stocking which has dragged down the U.S. economy all year, writes Paul Lewis. Page 5

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CONTRACTS & TENDERS

Prequalification Notice

for construction, fabrication, supply and erection contracts for the Pueblo Viejo-Quixal hydroelectric project.

Guatemala, Central America

The Instituto Nacional de Electrificación (INDE) will receive applications for prequalification from all firms interested in participating in the construction of the civil works, and the fabrication, supply and erection of the electromechanical equipment for the Pueblo Viejo-Quixal hydroelectric project located on the Rio Chixoy in the Republic of Guatemala.

The main features of the project are:

- total installed capacity: 300 MW (5 units)
- power tunnel: length 25 kilometres, diameter 4.93 metres
- rockfill dam: height 105 metres, volume 2,843,000 cubic metres
- transmission line: length 120 kilometres, voltage 230 kV

Firms interested in obtaining the documents describing the "information and requirements for contractors intending to qualify as tenderers" should contact INDE in writing, the sum of US\$50.00 should be enclosed.

Prequalification applications, with all of the information required in the above mentioned documents, will be accepted in the offices of INDE until October 15, 1975.

Instituto Nacional de Electrificación—INDE
6 Avenida 2-73, Zona 4
Guatemala City, Republic of Guatemala, Central America
Cable Address: INDE—Guatemala
Telex: 324 INDE-GU
Telephone: 650914 and 679914

COMPANY NOTICES

EDGAR ALLEN & CO. LIMITED

NOTICE IS HEREBY GIVEN that the Registers of Holders of the 5% Cumulative Preference Shares of £1 each, fully paid, will be closed from the 26th to 30th September, 1975 inclusive, for the purpose of preparing Dividend Warrants for the half year to 30th September, 1975.

By Order of the Board,
G. R. Wooley,
Secretary.

Sheffield Road,
Sheffield, S9 1RA.

APC INVESTMENTS LIMITED
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NOTICE IS HEREBY GIVEN that the Preference Shares Transfer Books and Registers of Holders will be closed from the 4th to 10th October, 1975 both days inclusive, for the preparation of warrants for the half year to 30th September, 1975, for the six months ending 30th September, 1975.

By Order of the Board,

AFRICAN FINANCE CORPORATION
LIMITED.

London Office
62 London Wall, EC2R 7JT.
16th September 1975.

Canadian Depository Receipts
of PIONEER ELECTRONIC CORPORATION

With reference to article 2, section 2, of the Administration Terms, the Underwriting Agreement dated 19th August, 1975, between Canadian Depository Company, N.V. at Curacao, and Pioneer Electronic Corporation, as a substitute, Dr. G. C. A. Smets, attorney for Pioneer, has been instructed to make the third payment in accordance with the administrative terms.

Antwerp, 10th September, 1975.

Pierson, Heldring & Pierson N.V.

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DINGO 1A-1C. 5th Floor. 1st Sat. 10.30 a.m.
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MAN-DINGO 1A-1C. 5th Floor. 1st Sat. 10.30 a.m.
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4.30 p.m. 6.30 p.m. 8.30 p.m. 10.30 p.m.
12.30. 2.30. 5.30. 8.30. 11.30 p.m. All seats
booked.THE DROWNING POOL (CAT.)
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12.30. 3.00. 5.00. 7.00. 9.00. Sat. 1.30 p.m.
4.30 p.m. 6.30 p.m. 8.30 p.m. 10.30 p.m.
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DINGO 1A-1C. 5th Floor. 1st Sat. 10.30 a.m.
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DINGO 1A-1C. 5th Floor. 1st Sat. 10.30 a.m.
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except 1st Sat.SCENE 28, Leic. Sq. 437 8161. MAN-
DINGO 1A-1C. 5th Floor. 1st Sat. 10.30 a.m.
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AMERICAN NEWS

Hopes for U.S. economic upturn hit

BY PAUL LEWIS, U.S. EDITOR WASHINGTON, Sept. 15.

THE FORD Administration's average and heavily influenced signs of a strong upturn in the continuing build-up of American economy during the unsold cars - a sign of weak consumer half of this year, suffered summer demand. Combined business set-back to-day with the new sales rose 2.2 per cent.

Businessmen are still during the month, though the stocks at a very Commerce Department has

already reported a decline in its rate.

When combined with the retail trade in August, the divergence of "double-digit" in

The July figures must come as a disappointment to the

continuing decline in inventories.

Administration which is hoping

likely to reinforce many

more economists in their belief

the coming upturn will prove

sober than the official forecasts

predicted.

During July, the Commerce

Department reported that man-

aging and trade inventories

fall by 5.5 per cent, or considerably

more than the 4.2 per cent

increase in the

year. This suggests that there

is still no end in sight to the

stocking movement which has

been dragging down the economy

year.

At the manufacturing level

the decline was 5.5 per cent, roughly

line with previous months, and

now that the bottom has yet

been eroded.

Only last week the chairman

of the President's economic

advisers, Mr. Alan Greenspan,

predicted that the economy would

still reach a 7 per cent

real growth rate by the end of

the year, arguing that the

inflation rates rise and the

purchasing power of consumers

is eroded.

Then last April, the agency

of wholesale inventories

gave little basis for optimism

when reversing June's increase

fall \$225m.

Although retailers stocks rose

99m. in July, this was still inflationary upsurge during the

low, the second quarter summer was a flash in the pan.

NY state gets warning

BY GUY DE JONQUIÈRES NEW YORK, Sept. 15.

STANDARD and Poor's, one of a principal U.S. debt rating agencies, warned New York state publicity to-day that the soundness of its credit has been endangered by its recent decision

to bail out New York City.

The agency said that the state's intervention to date

aimed to be within its financial

capabilities. But it added: "Any

additional efforts will most cer-

tainly strain the state's resources,

we are compromising effect on

fiscal and jeopardise on

double A high-grade credit

rating, then a single A.

Then last April, the agency

suspended the city's debt rating

indefinitely, citing the unwilling-

ness of major New York commercial

banks to continue purchasing the city's notes and bonds.

THE NEW HAMPSHIRE SPECIAL ELECTION

More than just a Senate race

BY A SPECIAL CORRESPONDENT IN NEW HAMPSHIRE

THE PEOPLE of New Hampshire, today, in a more important than ever, the closest Senate election in U.S. history. In a country as a whole that the Granite State has shed the burden of Waterbury, 1974, the voters split almost evenly, which cost them so dearly between Congressmen, Louis L. L. Durkin, a member of the Republican, and former State Insurance Commissioner, John Durkin, a moderate. Some say that Durkin got by 10 votes, others claim

Wyman won by two. The U.S. Senate itself tried to determine the winner.

Democrats, fearing that a Democratic majority would

decide the dispute in Durkin's favor, prevented a vote. Finally, Ruth Parkas, whose family owns a large New Hampshire department store, Dr. Parkas, a key role in the presidential election.

Wyman's second chance for Wyman is Ambassador to Luxembourg. A post traditionally awarded to a woman party stalwart. The obvious question is, what the Republicans wanted to bolster their

congressional candidate he supported and the ploy backfired because French-speaking people said they felt they were being patronised.

Durkin campaign officials say that Durkin could cost the Democrats 4,000 votes in Manchester, the state's largest city.

Durkin has profited from Wyman's involvement in the Parkas affair, although he has not raised the issue himself. He is also accepted as a credible candidate on the basis of his showing last year, which was rare for a Democrat in New Hampshire. Although he got on to a much later start than Wyman in fund-raising, organised labour and out-of-state Democrats have more than made up the difference. Both candidates will have spent all the law allows.

For Ford, coming to New Hampshire was a tough decision.

After the Special Prosecutor's letter to Wyman he had second thoughts about his commitment to the GOP candidate. Reagan never wavered. Seeing that he might lose his competitive advantage if Reagan went to New Hampshire and Wyman won, Ford shifted course again and announced his own visit.

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Party-line

So eager was the GOP to win the re-run that Senate Minority Leader, Hugh Scott, and Sen. Howard Baker co-signed a fund-raising letter mailed even before it was certain there would be a new election. Some Democrats complained that two Senators who were supposedly sitting in judgment on the contested election should not be taking sides in that way. But most felt that the Durkin-Wyman contest was pretty much a party-line fight anyway.

Wyman also enjoys the mixed blessing of endorsement from arch-conservative William Loeb's Manchester-based Union Leader, the state's largest newspaper and, because of the absence of local television, its dominant medium.

Loeb stayed out of the issues. And the race has been complicated by the presence of Wyman, an unexpected third candidate, Carmen Chimenti of the conservative American Party, who could win not conservative enough. This more votes than the margin of time, however, Loeb has pulled out the stops for Wyman mostly because he so deeply dislikes consumer advocate Durkin.

The six-week campaign, extremely short by American standards, has been characterised by wild exchanges of charge and counter-charge.

There has been little debate on the issues. And the race has been complicated by the presence of Wyman, an unexpected third candidate, Carmen Chimenti of the conservative American Party, who could win not conservative enough. This more votes than the margin of time, however, Loeb has pulled out the stops for Wyman mostly because he so deeply dislikes consumer advocate Durkin.

Less than two weeks before the special election, the Union Leader carried an unsigned letter, bitterly and profanely health of the post-Watergate attacking Loeb for supporting Republican Party, the relative Wyman. The language was certainly as strong as has ever been published in an American daily.

The Union Leader, continuing a clout of William Loeb, and the popular reaction of Mr. Durkin's support to a Democratically-controlled Congress that has been charged

remained to be seen. The famous 1972 Cauhier letter published in the Union Leader charging parties will almost certainly be Senator Muskie with discriminating against Franco-Americans next few months by their inter-

certainly damaged his presidential campaign. But in 1974, 200,000 will actually vote, but

Loeb published an editorial in French, designed to help the by the result.

Irano-Reading & Bates S.S.K.

has been established by

Industrial and Mining Development Bank of Iran

Reading & Bates Offshore Drilling Company and its subsidiaries

and has acquired the drilling rigs and related assets presently operated in Iran by Reading & Bates Offshore Drilling Company and subsidiaries.

The new Iranian company has a capitalization in equity, debt, and debt commitments totaling

\$60,000,000.

The undersigned initiated and assisted in negotiating this transaction.

First Washington Securities Corporation

The international investment banking subsidiary of

SHIELDS MODEL ROLAND Incorporated

UNITED NATIONS

Economic reform talks move closer to broad agreement

BY MALCOLM RUTHERFORD

AFTER a week-end of all-day, between the creation of new special drawing rights (SDRs), increases in oil prices. According to a European delegation and development aid, but also to one European delegation towards a single resolution that issue in the relatively near future. This has proved unacceptable to the U.S., West Germany and the monetary questions that could include a broad consensus on the world economic reform that is being offered a cushion and Japan.

The session has already gone down. In spite of the general sources cautioned that the session could still come to a

blister end." The chief area of dispute during the past few days has been monetary reform, with the group of 77 developing countries

demanding not only the establishment of a formal link

of the meeting of OPEC Ministers, who

are to be held in Vienna next month.

Thoughts are also heavily concentrated on next week's Vienna meeting of OPEC Ministers, who

NEW YORK, Sept. 15.

On the other hand, it is also feared that if the special session fails to reach a consensus, the OPEC mood may become more aggressive and the consumer-producer dialogue, due to resume in Paris next month, will be doomed.

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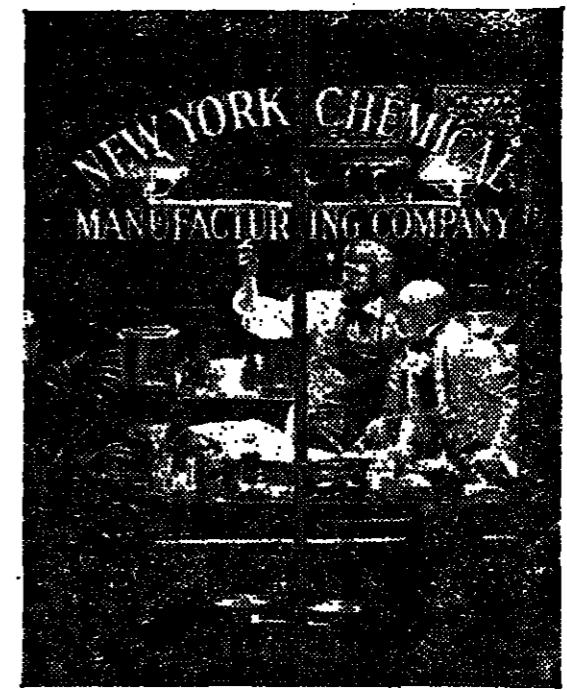
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When you know how we became a major international bank, our name will no longer puzzle you.

Today, Chemical Bank is one of the world's leading financial institutions. We do business with over 80% of the world's companies that have over \$2 billion in annual sales. Our world-wide services are so extensive that no matter what business your company is in, we can provide the banking support you need. But 150 years ago we weren't even a bank. We were the New York Chemical Manufacturing Company located in a rural area of Manhattan known as Greenwich Village.



Chemical Bank's past.

Long before we became known as a businessman's bank, we were a businessman's business. We were founded by a local paint manufacturer, a druggist, and a prosperous New York grocer. In 1824 we applied to the legislature for permission to operate as a bank. Later that year a bank charter was granted. Since then a lot of things have changed. For one thing we no longer manufacture chemicals. And for another we no longer require our cashiers to live above the counting room - the better to guard the bank's funds.

Chemical Bank's present.

In 1917 we ranked 129th among U.S. banks. Today, we're number six and still growing. In the last year we've opened new offices in Dubai, Rome, Taipei, Teheran and Toronto. Right now, we're supplying businessmen with financial energy to meet the changing demands of today's business world. With everything from product and project financing in the developing markets of the Far and the Middle East to specially designed programs involving leasing, commercial financing and factoring.

Chemical Bank's future.

As new markets develop, we'll play an even greater role as an international bank. By increasing our strength in all of the world's major markets and by offering an even wider range of financial services. In Europe and around the world.

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Chemical Bank

International business: When needs are financial, the reaction is Chemical.

Moro, Communists clarify positions on co-operation

BY ANTHONY ROBINSON

MAJOR political speeches by associating the PCI (Communist Italian Prime Minister Aldo Moro) with the Government "impractical and dangerous" Moro and Communist Party secretary Enrico Berlinguer have contributed to clarifying the broad lines of the Italian political situation some three months after the June 15 regional elections which marked a fundamental shift in the balance of political forces.

Prime Minister Moro took advantage of the opening ceremony of the annual Levant Trade Fair on his home ground at Bari, the regional capital of Apulia, to appeal for wage moderation from the trade unions during this autumn's labour contract negotiations for more than 4.5m. workers and to put our explicit feelers to the Communist Party for their co-operation.

For the first time, a Christian Democrat Prime Minister has called on his party and the years should go any further to others in the Centre-Left formula words formally including the to work out "some way of Communists in Government.

Rail paralysis expected

BY OUR OWN CORRESPONDENT

ROME, Sept. 15.

THE ITALIAN rail system faces demands for higher pay, an 8 p.m. to-day, due to a strike higher investment in the state called by the rail section of the railways. But it also represents an attempt by the confederations to assert their authority over the three principal trade union confederations.

The dislocation is expected to various small autonomous unions last into Wednesday because of who managed to disrupt rail a further strike by one of the services during the holiday period small autonomous unions. The in spite of the strong opposition strike is formally over union from the official union movement.

82 arrested in Spain

MADRID, Sept. 15.

POLICE announced to-day the arrest of 82 alleged Left-wing militants and said they had seized a large quantity of arms, explosives and propaganda. Seventy-six of the suspects were arrested in the Barcelona region and six in Victoria.

The announcements follow yesterday's murder of police man in a Barcelona street. Left-wing urban guerrillas are suspected. Police said another attack was carried out on a policeman in Zaragoza, but that shots hit only his motor-cycle. The policeman killed in Barcelona was the tenth slain in Spain this year.

The Barcelona police said the 76 arrested belonged to various outlawed organisations, includ-

ing the Revolutionary Anti-Fascist and Patriotic Front, a Maoist guerrilla group, the Trotskyite Communist Movement of Spain, the Communist-leaving Spanish Workers' Party and two anarchist movements.

The group arrested in Victoria was accused by police to have participated in "subversive activities."

• The defence lawyers for five urban guerrillas convicted of the murder of a policeman by a military tribunal on Friday said they had filed appeals against the verdicts and sentences and demanded the annulment of the trial because of grave procedural faults. Three of the five were sentenced to death and the which few responsible politicians appear to want at this time.

Boost in French trade surplus

By Rupert Cowell

PARIS, Sept. 15.

FRANCE WAS once more substantially in the black in its trade with the rest of the world last month, and its surplus for the first eight months of 1975 now stands at over Frs.8.5bn. (£2.14bn.) adjusted for seasonal variation.

In August the corrected surplus came to Frs.1.23bn. (£153m.), up from Frs.8.33m. (£83m.) in July, and compared with a deficit of almost Frs. 1.5bn. in August last year. However, as the figures released to-day by the Foreign Trade Ministry show, the turnaround has been bought at the price of a sharp fall in volume.

Imports have suffered most heavily, down in value terms from Frs.21bn. a year ago to Frs.17.7bn. last month, while the decline in exports has been much less marked to Frs.18.9bn. from Frs.19.5bn.

The strong trade performance has been the main contributor to the fairly unusual event of a French current account surplus in the first half of 1975, of Frs.2bn. Last year's deficit, at the height of the energy crisis, rose to Frs. 28.7bn., while that of 1973 totalled Frs.3bn.

The capital account,ared even better, thanks to a steady flow of short term and long term funds into France, showing a surplus of Frs.12.7bn. and leading to the considerable appreciation of the franc.

The result, as Finance Ministry figures this week-end reveal, is a Frs.14.7bn. improvement in the country's external finances. The larger share of this, Frs.7.8bn., is reflected in an increase in official reserves, while the indebtedness of the banking system shrank by Frs.6bn.

SWISS RECESSION 'WILL CONTINUE'

By John Wicks

ZURICH, Sept. 15.

ACCORDING to a report issued by the Swiss Federal Commission for Economic Studies, the recession trends in the country's economy will continue in the next few months. Although the Commission says that the recession is not likely to become more accentuated, it believes that the demand for employees will decline further.

As Sig. Moro made clear, the alternative to his Government at this stage is early general elections. Until the major political issues are at least partially clarified, this would represent a risk of unnecessary confusion and confrontation which few responsible politicians appear to want at this time.

GREECE AND THE EEC

The details are devilish

BY W.-L. LUETKENS, RECENTLY IN GREECE

GREECE is relying very much on the political arguments for joy in Whitehall, in Dublin or gaining full membership in the in the Rome—or for that matter in Common Market. Mr. Constantine Bonn, where Herr Helmut Karasik, the Prime Minister, has said that he would not have asked for full membership if it had not been a political matter, rather than one of

tomatoes and peaches alone. Signor Carlo Scarsella Mugnola, the Italian Vice-President of the European Commission,

said on a visit this month to the Salonic Fair that he agreed Mr. John Pemazzaglia, a prominent Greek opposition figure and head of the Greek delegation in the mixed EEC-Greek parliamentary commission, takes much the same view. The Nine themselves have agreed in principle that Greece, now an associate, should join, and that negotiations should begin to settle the technical details.

So everything in the garden should be lovely, were it not for a much-quoted saying of the first President of the Common Market Commission, as it was then, Prof. Walter Hallstein, that "details are the very devil." One might add that many a year elapsed between Gen. de Gaulle's favourable British membership, and Britain actually getting into the Community.

In the case of Greece there are some very obvious devilish details: given the way France and Italy are at cross-purposes drawn about a surplus of low-quality wine, they are unlikely to be happy about a new arrival who exported wine and spirits worth \$29m. in 1974.

Another little detail is that industrially backward Greece, with per capita GNP in 1973 of \$1,790 compared with \$2,110 in Italy, and with a current account deficit of \$1,270m. in 1974 (and probably slightly more this year), is going to add to the claims on EEC financial resources, especially the Regional and Social Funds. Greece already has told the EEC that it needs \$550m. in grants and subsidized loans—loans of \$312.5m. for infrastructure and grants of \$187.5m. for agriculture. But its total requirements upon the Community and its members, including loans to re-dress the balance of payments, may come to \$800m. in three or four years, not including direct investment.

In a conversation with the Financial Times Mr. Pemazzaglia argued that in such a case the difficulties of adjustment would be a third view: that the real difficulties will arise in the institutional sector: not least in an ill-paid and not excessively efficient civil service. The mixture of a partly modernized industrial apparatus, agriculture ancient and modern, and of a hidebound administrative machine is familiar from Italy, his shoulders, but put that judging by previous negotiations, three years

of experience, the last being important to the Nine as at present constituted

power and influence in the Aegean with its supposed oil resources. The official view in Athens is that a Greek application to join the EEC would bring all Greeks and the about the possibility of arms deliveries resuming to the Turks from whichever source. But a certain scepticism is in order about the stability of the Turkish economy to stand up to EEC membership.

In the case of the Greek economy, too, it is legitimate to ask whether it is strong enough to stand within the EEC. At present under the Treaty of Association, two thirds of Greek imports from the Nine already enter duty free, whereas duties on the rest have been cut to 64 per cent. of their original level. That is to fall to 24 per cent. within the next five years. The argument in Athens therefore is that zero tariffs should not have too drastic an effect upon Greek industry.

The usual view is indeed that Greek industry should manage, though agriculture would face difficult problems of adjustment.

What all of this really means is that the hoped-for upturn in the world economy, if it comes, would go along way towards settling the tricky details, consumption of wine might once again be expected to grow.

It is legitimate to ask whether the Greek economy is strong enough to stand within the EEC.

None of that will cause much to extend European unity to six were temporarily or wise vacant at present.

It is an old complaint that Greeks have long had business links with countries such as Egypt or the Lebanon.

It is unfortunately also true that Greece has a long history of conflict with Turkey, most recently in Cyprus, and about

have a system unlikely to produce the most adaptable graduates. Study does not pursue not of knowledge, diplomas intended to open road to a more or less career, and not always to the ablest.

Mr. Tzilepoglu, director-general of the S. Fair, which he is trying to into the commercial world times. At present it is a commercial fair, present and future, Mr. Tzilepoglu hopes to bring the years within three years. But that alone make Salonic one of the leading fair grounds.

Oddly enough one of the weaknesses may also be a source of strength: Salot always gone in for native fairs, sponsored by governments. Where else instance, are you likely a display of Albanian foods, handicrafts, and industrial products?

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Plan to improve conditions for migrant workers

BY DAVID CURRY

BRUSSELS, Sept. 15.

THE BRUSSELS Commission has sent to the Council of Ministers a series of proposals designed to improve the position of migrant workers in the EEC. They cover, principally, providing family allowances to workers who have left their families behind in their own country; improving educational provision for children of migrant workers and extending trade union rights to such workers.

On family allowances, the aim of the proposed new regulation is to tighten up existing rules in such a way as to gain maximum allowances for workers' families. While the general practice is to pay allowances corresponding in size to those paid to domestic workers, France has operated a scheme which gives the worker only the level of allowances obtainable in his country of origin. If the council accepts amendments proposed by the Commission, workers will now get the level of payments applying in the host country.

The Commission is also pressing for a directive dealing with improving educational facilities for the children of migrant workers. This would apply not only to workers of Community origin but to all the approximately 6.25m. foreign workers

in the EEC bringing with them, it is estimated, some 1.5m. children. The proposed directive would give member states three years from the date of adoption to introduce an educational reception system for migrants' children, primarily to help them learn the language of the host country; to provide for teaching of the language and culture of their native country as part of normal schooling, and to make arrangements to employ teachers specially qualified to deal with migrant children.

Finally, the council is being asked to improve the rights of migrant workers to hold trade union office. This will tidy up and extend rules adopted in 1968 concerning the trade union rights of migrants.

In a separate communication, the Commission is forwarding to the Council the findings of a group of experts on a possible framework of minimum standards for houses built to accommodate people who depend on wheelchairs for mobility. The Commission now intends to let government experts together to work out how to implement these standards. It is also seeking the adoption of standards of construction in public buildings to allow free access and circulation to handicapped people.

Links with China formalised

BY DAVID CURRY

BRUSSELS, Sept. 15.

CHINA and the EEC established formal diplomatic relations to-day, Mr. Li Lien-ji, Peking's Ambassador to Belgium, handed over his credentials as envoy to the Common Market to Belgian Foreign Minister Marius Rumor, chairman of the EEC Council of Ministers.

Plans to establish diplomatic ties were announced in May

1975, during a visit to China by Sir Christopher Soames, EEC Commissioner for external affairs.

Although China's trade with Western Europe is relatively small, Peking has long supported the Common Market and Rumor, chairman of the EEC Council of Ministers, said that the unification of Western Europe as a counter-balance to Soviet power in Europe.

UPI

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The Commission is also

OVERSEAS NEWS

Judge's ruling may lead to Indian detainees' release

NEW DELHI Sept. 15.

THE High Court ruled to-day that the Government had failed to satisfy it that a leading nationalist held under internal security laws had been lawfully tried.

K. K. Sharma reports: India's Reserve Bank says that the economy is poised to achieve a growth rate of 5 to 6 per cent this year and has cited four major factors in support of this. These are the recovery in infrastructure industries; a significant improvement in the power position coupled with easing of transport bottlenecks; a more than generous monsoon and adequate supply of fertilisers and agricultural inputs; and the substantial increase in public sector investments.

The report says that the central fact that emerges from the economy's performance is the restoration of balance between demand and supply conditions, even in the face of adverse world price conditions and drought and floods in India.

In its forecast for the coming year the bank also attaches importance to the declaration of the emergency and the announcement of the Government's new 20-point programme since both these have given direction to the economy, eliminated labour opposition, and revived the depressed capital market.

Australia to raise domestic oil prices

JAMES FORTH

SYDNEY, Sept. 15.

Australian government has announced changes in its pricing policy for domestically produced oil in an attempt to stimulate flagging petroleum exploration. Prices for local crude, been pegged for the past years at just over \$A2 a barrel, while world prices have risen in response to increases in OPEC. Future discoveries in Australia will receive a price of \$A2.50 a barrel. A levy of \$A2.50 a barrel announced recently in the 1975-76 budget will still make the effective new \$A6.90 a barrel.

The Government indicated it would look at the price from time to time, "which tests that changes will be

made in the case of major price movements, such as further OPEC increases. The Government is hoping that the new policy will reactivate petroleum exploration, which has dropped alarmingly over the past two years, largely because of the artificially low domestic price and uncertainty over Government policies. The changes have been welcomed by the industry, which expects it will provide some boost. But it is concerned that there are still several aspects that are unclear.

One is the recently introduced levy. Oil companies point out it would take at least four to five years to develop and make to-morrow and there is no certainty what the levy will be at that time.

Kuwait talks inconclusive

Y RICHARD JOHNS

THE round of negotiations on the complete take-over of the Kuwait Oil Company ended inconclusively in Geneva at the weekend with both British Petroleum and Gulf Oil declining to comment on their proposals. It is understood, however, that the concentrated mainly on sensitive matters although the oil and thorny issue of compensation was also covered. The companies have so far rejected the inadequate the Kuwaiti offer of \$50-555m.

According to the latest issue of Petroleum Intelligence Weekly, the Government and the companies are still widely divided over the "service fee" in lieu of a price discount. BP and Gulf are seeking 20 cents a barrel over a 15-year period while the Government is proposing 15 cents for only five years. They are also reported to have asked for 120-day credit terms rather than the maximum of 90 days which the Government is apparently prepared to concede.

Ethiopians threaten U.S.

BEIRUT, Sept. 15.

REAN rebels threatened to kill four U.S. captives if the U.S. stops arms aid to Ethiopia. A spokesman for the Ethiopian Liberation Front (ELF) said: "The ELF's four rebels were communicated to Washington through a U.S. embassy in the Middle East." In addition to the arms ban, the rebels included: dismantling Kagnew communications near Asmara, the provincial capital of Eritrea, compensating areas that suffered losses in massive attacks on U.S.-supplied Ethiopian forces last February; and putting U.S. Government pressure on Ethiopia's military rulers to free Eritrean rebels held in Addis Ababa prisons. The spokesman said two U.S. communications technicians were held on July 14 and two were kidnapped in a mass

NG becomes independent

JAMES BUXTON

AUSTRALIAN dependency, Papua New Guinea (PNG), is independent to-day. Mr. Somare is also anxious to play down the Bougainville secession issue for fear that other parts of PNG, a federation of highly disparate ethnic groups, many of them extremely primitive, may also secede.

A special report on Papua New Guinea appears on pages 22-23.

HEAVY TIMOR FIGHTING

JAKARTA, Sept. 15.

INDONESIAN military chief in West Timor said to-day that the pro-Indonesian Timorese Democratic Union (UDT) and Apodeti groups had begun guerrilla warfare against left-wing Fretelin independence forces around the Portuguese Timor capital of Dili. Brigadier-General Ignatius Prajono told reports that 25 members of Fretelin—the Revolutionary Front for the Independence of East Timor—were killed in fighting last Thursday.

He denied Fretelin claims that its forces controlled most of East Timor, which has been wracked by inter-party fighting for more than a month. He said: "Most its major source of income is occupied by a subsidiary of KTC Renten

LIBYA'S SIXTH ANNIVERSARY OF THE REVOLUTION

Dissatisfied with a messianic role

BY STEWART DALBY, RECENTLY IN TRIPOLI

ON THE eve of the sixth anniversary of Khedaf's revolution began early in August when dissatisfaction within the Army came to light. Nobody (at least nobody who is willing to talk to visiting Western journalists) knows quite what happened then. Independent observers in Tripoli saw a seemingly endless stream of Russian T48, T52 and T62 tanks pass in front of him, as Libya is only just now emerging from a coup attempt as has been re-

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HOME NEWS

Fidelity Life ruling for car franchises delayed

BY ERIC SHORT

POLICYHOLDERS in the failed life company Fidelity Life Assurance were warned yesterday that it could be several weeks before a Court decision made regarding the winding up.

This information is contained in a letter sent to the 13,000 policyholders in the company by special manager, Mr. Donald Chilvers, a senior partner of chartered accountants Coopers and Lybrand.

A petition for the compulsory winding up of Fidelity was presented to the High Court on July 28 by the Secretary of State for Trade. This is due to be heard on October 6, but the hearing is likely to be adjourned.

In his letter, Mr. Chilvers tells Guaranteed Income Bond holders, annuitants and other policyholders due to receive money from Fidelity Life that the special manager, who are running the affairs of the company, are not permitted at present to make any payments to policyholders or creditors out of Fidelity funds.

The court has sanctioned an interim scheme under which holders can continue to pay premiums on policies. Such premiums will be held in a separate trust account so that should Fidelity be liquidated, policyholders can have the amounts paid since July 28 returned or leave them as premiums paid under the policies.

Policyholders who choose not to make any further payments are advised to hold the money available so that premiums could be paid quickly if it was advantageous to do so.

The trouble at Fidelity arose over the position of the £1m. deposit made with the failed secondary bank London and County Securities. The Bank of England did not consider this investment covered by its rescue scheme. Without its availability the remaining assets of Fidelity are insufficient to cover its liabilities.

BY PETER FOSTER

LONRHO IS to take over the will pay interest on the cash portion of the consideration from Audi and NSU cars from Thomas Tilling in cash and share deal.

The consideration for the acquisition — which has the approval of Volkswagen in Germany — has been calculated as the total of the net tangible asset value of Volkswagen GB at June 30, about £9.5m., plus £350,000 reduced by the sum of £1.7m.

This total of £8.85m. is to be satisfied by the provisional payment to Tilling of £6.85m. on completion, plus the issue of 2,080,000 Lonrho Ordinary shares at 125p (cum interim dividend).

Tilling has undertaken it will not dispose of the shares before August 1976 without the agreement of Lonrho.

Meanwhile, Lonrho is entitled in the benefit of the profits of VW (GB) from July 1, 1975 and

overall decline in the British car market last year VW (GB) produced a pre-tax loss of £1.45m. compared with profits of £2.86m. in 1973.

Despite continuing dulness of the car market this year, the popularity of VW's new model range — in particular the Golf, which was the best selling European car in the U.K. last month — has helped it to return to profitability.

VW (GB) made an unaudited pre-tax profit of £1.5m. in the first six months of 1975 on sales of around £51m. and is forecasting a full year pre-tax figure of £2.8m.

Mr. Michael Heelas, who was appointed managing director of VW (GB) at the beginning of this month will continue in this position while Mr. Roland "Tin" Rowland, chairman of Lonrho, and two of his directors will

head up the new venture.

The VW franchise was acquired by Tilling in 1957 and the company took over the Audi/NSU concession in 1971.

Due to declining sales of its main model, the Beetle, and to join the Board.

First venture

This is Lonrho's first venture into motor distribution in the U.K., although the company holds concessions for Rolls-Royce and Alfa Romeo in Belgium and for a wider range of manufacturers throughout Africa where its annual motor trade turnover is around £100m.

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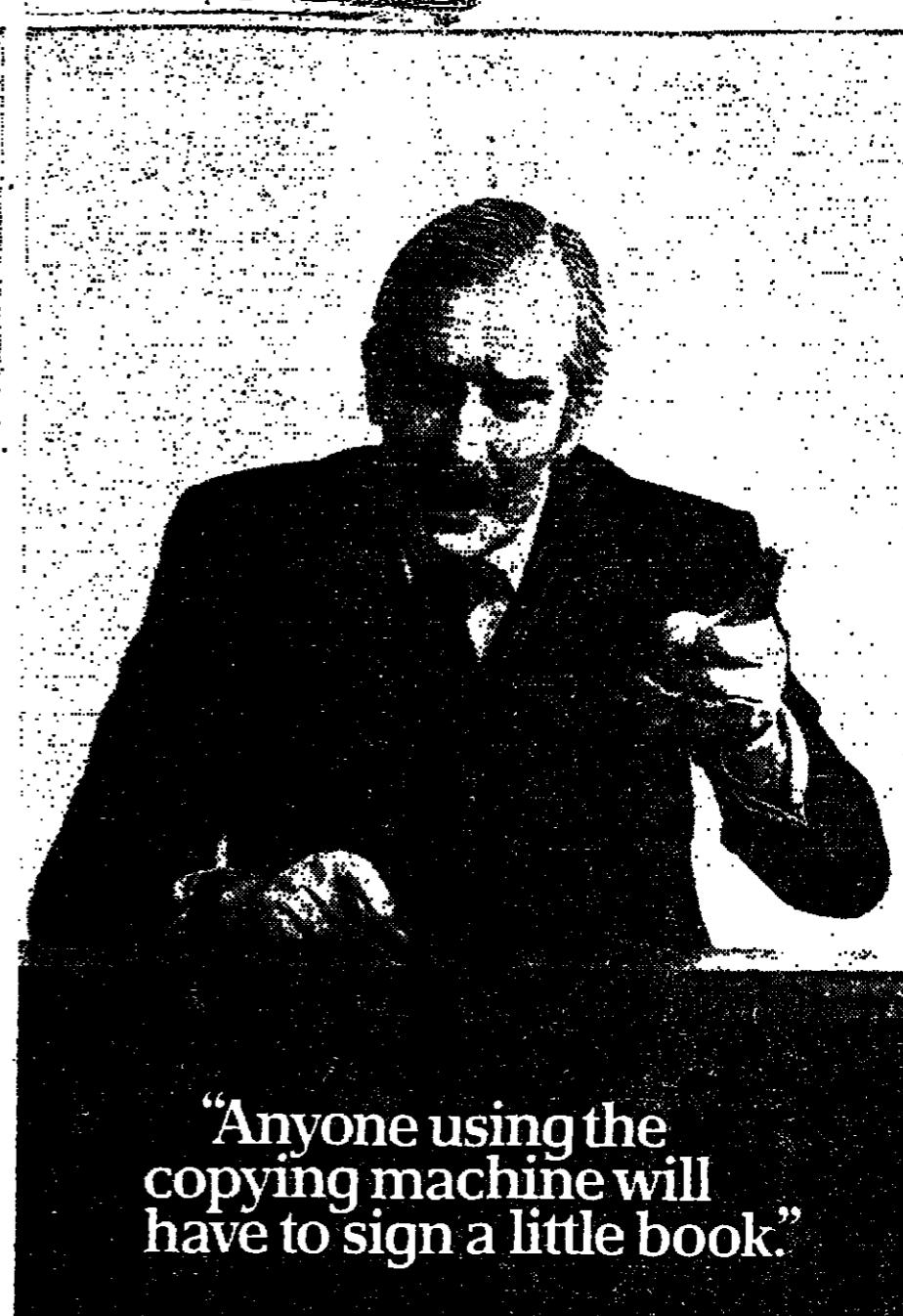
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"Staff are being asked to use public transport whenever possible."



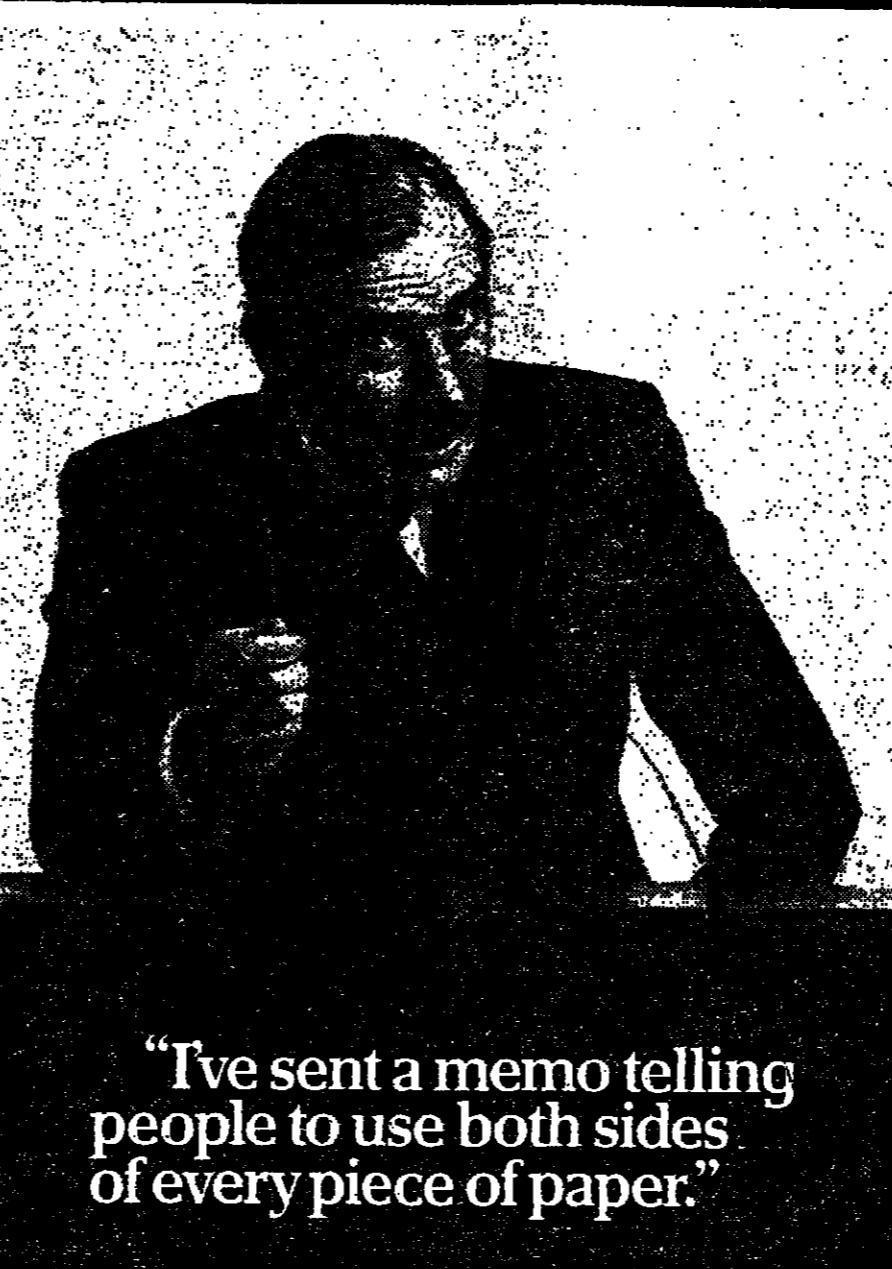
"Anyone using the copying machine will have to sign a little book."



"All but urgent mail will go by second class post."



"We're reducing the heating by 5 degrees."



"I've sent a memo telling people to use both sides of every piece of paper."

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Whitehead Consulting Group, National Survey of Distribution Management

NMC
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To: David Green,
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Tell me how I can put my distribution right.

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Position _____

Company _____

Address _____

HOME NEWS

Conoco seeks North Sea acreage deal off Norway

BY ADRIAN HAMILTON

CONOCO is negotiating a substantial North Sea acreage deal in Norway with two national European oil companies, Deminex of West Germany and Petrosveda of Sweden. The negotiations concern a "farm-out" of interests in five Norwegian blocks held by Conoco in association with Socal, Texaco and Pelican.

At the same time, Conoco and its partner companies are also planning to relinquish six further blocks awarded in the first round of Norwegian licences in 1965.

The development, confirmed by an official in the Norwegian Ministry of Industry yesterday, comes at a time when escalating costs on acreage held beyond six years, higher taxation on oil and gas discoveries and poor exploration results in some blocks are forcing companies to re-evaluate their early acreage in the Norwegian North Sea.

Earlier this summer Gulf decided to withdraw completely early stages but are now anxious to rectify this in view of the ship with Conoco, and other companies are expected to continue their respective countries to relinquish parts of their acreage over the coming years.

Deminex, which entered the U.K. scene in the last round of the deal in this case involves partnership with Mounstone, both acreage taken out by Gulf recently bought out the interests in 1965, in which Conoco/Pelican of two companies in the U.K. took a half share five years ago, Thistle Field and is reported to acreage taken out by Socal/ Texaco, which Conoco also joined in the negotiations, which are believed to concern a 40 per cent farm-out to Deminex and Petrosveda.

At the Anglo-Norwegian Fjord gas field off the Orkneys, meanwhile, the French group developing the field has announced the successful placement of one of the state-reserved blocks in the Norwegian sector, 1/9.

A major question over the negotiations is whether the Government will insist that the state oil group, Statoil, be given a carried interest in any field as part of any governmental approval of

Development well drilling from the platform should start in spring of next year and, if successful, the major concrete drilling platforms.

The interest of Deminex and Petrosveta in joining the Norwegian search at this stage is not unexpected. Both companies failed to take an active part in the Scottish mainland, by the

part in the North Sea in the end of 1972.

Oil industry to take stock

BY CHRIS BAUR, SCOTTISH CORRESPONDENT

THE OIL INDUSTRY experts this week will be assessing progress exploration wells have been drilled, giving a success rate of 1:3 compared with a world offshore average of 1:80.

However, uncertainties caused by rapid cost inflation and by Government taxation and participation policies will doubtless lead many industry representatives to look for some reassurance from those Ministers who are attending the Aberdeen conference.

The conference, promoted by Offshore Services magazine, runs at the same time as an exhibition, claimed to be the largest oilfield show staged in Europe. About 500 exhibitors, 60 per cent of them British, with representation from 18 different countries, have taken space on the 8.5 acres tented exhibition site.

Meanwhile, off the Shetland Isles, Shell UK is attempting to re-sink a 400 foot section of its main Brent oilfield submarine pipeline, which has floated to the sea surface from its position 200 feet below water level on the seabed.

The company says that the reason for the pipeline breaking loose are "a complete mystery".

An end of the diminished 36-inch diameter line, coated with concrete to give it negative buoyancy, floated to within 10 feet of the surface, about four miles from its Shetland landing at Firths Voe.

The section is part of the 92-mile trunk line due to be completed next year which Shell is laying from Shetland to its Convent oilfield. Convenant is one of five oilfields in the "Brent system" that eventually will produce at a rate of 1m. barrels a day.

EEC energy policy challenged

By Philip Rawstorne

THE EUROPEAN Commission's proposals for a new Community energy policy were strongly criticised by a House of Lords Select Committee yesterday.

In a report to Parliament, the Committee on European Communities said it shared the British Government's apparent view that the plans could not be taken seriously.

Attacking the Commission's "doubtful statistics, vagueness and evasions," the Committee said it had not succeeded in making a case for a supranational interventionist policy.

But it warned a danger existed that the EEC Council might find it difficult to resist Commission pressure for the proposals if they were not challenged.

"A rigid fuel plan could constrain rather than enlarge the Community's best use of resources." Flexibility would have to be retained because of the difficulty of predicting the make-up of total energy supplies with any safety.

Decision

Unless a political decision were taken to accept EEC intervention, the Community's policy would be best confined to activities designed to mitigate long-term energy shortages and create self-sufficiency.

It suggested these might include "the identification of non-renewable recoverable resources, research aimed at improving their yield and conservation measures."

The Committee bluntly declared that the Commission's plans for a huge increase in nuclear power were "not realistic" and underlined the fact that the EEC plans envisaged too rapid development of North Sea oil that could conflict with Britain's national interests.

The Corporation probably has in the region of 700,000 tonnes of steel ready to go to the rolling plate in stock. Apart from the problems with mills and sheet to industry, the blastfurnaces deliberately keep the blastfurnaces at sheet steel supply members of the NUB, so if there were a strike the BSC would not be stuck to a minimum and would feel the pinch much earlier than most other parts of the engineering industry should the BSC or five weeks' supply available.

Consumers and stockholders

have fairly high stocks because

there is little doubt that the industrial production

has motor manufacturers would turn

CONSEQUENCES OF BSC BLASTFURNACE STRIKE

When the steel flow stops

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

IF ALL the blastfurnaces decided to stop work, the British Steel Corporation's output would quickly dry up and within four or five weeks most of U.K. manufacturing industry would either have to cut production or import steel on a massive scale.

That would be the immediate impact. For the longer term, failure by the BSC to meet demand again, even though demand is extremely low because of the recession, would do immense damage to its credibility among customers both at home and overseas.

The impact on the corporation's export efforts, only recently stepped up again after a spell when practically all production was allocated to the home market, would probably take years to repair.

Britain became a net importer of finished steel last year with 2.7m. tonnes coming in against artificially reduced exports of 2.1m. tonnes.

Filling gaps

Even the threat of a major dispute within the Corporation will have an effect on the vast de-stocking by auction below present bottom-of-the-barrel levels.

The same is true of the steel

stockholders. The stockholders

are about 5.75m. tonnes

of finished steel in the hands

of consumers and stockholders

or third of the types of steel norm

ally used by manufacturing

not many industries will permit

them to do this below ten to

11 weeks without taking some

action.

They will do their utmost to

make sure that regular customers

will not be disappointed.

At the same time, the

stock figures disguise a

number of distortions. Sheet

steel is kind used by consumer

durable manufacturers and the

car industry has been scarce

and stocks are low while there

is 38 weeks' supply of heavy

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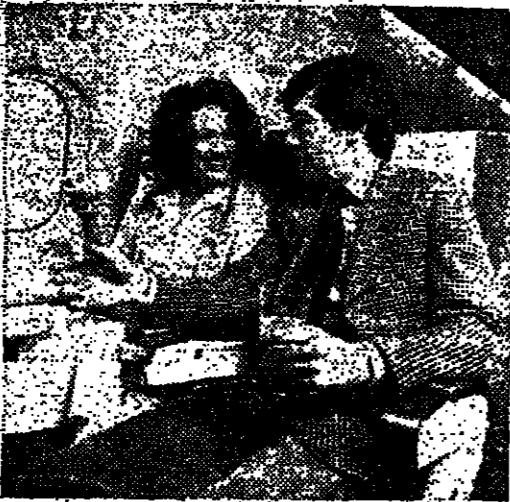
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The best way to find out about an airline is to ask the people who fly with it.



Our flight with PIA was almost as enjoyable as the rest of the holiday and that's saying something!



پنی آتی اے کے طیارے پر قدم رکھتے ہی یوں لگتا ہے
جیسے میں اپنے گھر آگئی ہوں۔ برطانیہ کے شال
سے لیکر راولپنڈی کے نولہ میں میرے گھر تک کے سفر
کے سارے انتظامات نی آتی اے کر قی ہے۔



On my last flight with PIA to London, it was vital that I finish some documents before we landed. PIA alerted their staff and, apart from meal-times, I was not unnecessarily disturbed during the flight. They also booked my hotel and arranged a hire car. That's what I call service!



La prima volta che volai da solo fu su un aereo della PIA. Non ebbi paura, tutti erano così gentili con me. Quasi mi dispiacque lasciarli alla fine del viaggio.



สั่งหนังที่นั่นมีความสำคัญมากในการเดินทาง
ระหว่างวันน้ำดีอย่างนี้กับ ที่ไอเอ
เพรัวก์การบินก็ต้องดีเยี่ยม พนักงาน
ต้อนรับยิ่นน่ารัก ทรายมีให้การช่วยเหลือ
อย่างเป็นกันเองและเดินทางตรงต่อเวลาที่ต้อง^{จะ}
เป็นการเดินทางที่แสนวุ่นวายมาก



When we flew PIA to Bangkok, it was Tim's first time in the air. I needn't have worried though, he loved every minute of it. The PIA air hostesses were so kind and attentive to him - and everything I needed was laid on. It was a lovely flight. Thank you.



I had a recurrence of a childhood illness on a recent PIA flight. I informed the air hostess and a doctor was waiting at Cairo airport the moment the 'plane landed. I was able to continue the rest of the journey in comfort.



PIA sait très bien lorsqu'il faut vous laisser tranquille. J'ai dormi sans être dérangé de Paris au Caire et j'ai à peine remarqué l'escale de Francfort.



We found the PIA air hostesses most charming. The new uniform really suits them—it's as colourful and attractive as they are.



Ich bin Journalist und oft beruflich im Fernen Osten. Dank PIA komme ich fast immer rechtzeitig zum Redaktionsschluß an. Das Flugnetz umfaßt - bei guten Verkehrsanschlüssen - alle Hauptstädte des Fernen Ostens, einschließlich Peking.

Take a 'plane load of PIA passengers and you've got a very mixed crowd. They are people from many nations with many different reasons for flying PIA.

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to arrange an appointment

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LABOUR NEWS

Farm union pay claim exceeds £6 limit

BY OUR LABOUR CORRESPONDENT

A CLAIM FOR a £5.50-a-week pay increase for Britain's 326,000 farm workers next year will be submitted formally by the National Union of Agricultural and Allied Workers today in straightforward contravention of the new £6 pay policy.

The farm workers' claim, however, is not subject to the normal forms of collective bargaining and will be discussed and settled in the Agricultural Wages Board, which can make binding awards. It is not expected, therefore, to lead to an all-out challenge to the pay policy.

Mr. Reg Bottini, general secretary of the farm workers' union, said yesterday that the union was bound by a conference decision to seek a minimum of £40 a week for next year, compared with the present rate of £31.80. Such a rise was necessary if farm workers were ever to attain their goal of parity with average earnings in industry.

At the congress, the farm workers' union voted for the TUC general council report advocating a pay increase of up to £6.50 a week.

Mr. Bottini said that he could not see his union accepting less than £40, but if the board awards less, we will have to consider our position." The union would insist on getting the full £6 allowed by the policy.

Mr. Arthur Kearney, AUEW executive member responsible for Lancashire, urged the shop stewards to accept their members' pay increase of £5.20.

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How much has Dunlop made for Britain so far this year?



Midland
Bank
Limited

31st July 1975 40-06-10

Pay Britain
Four million one hundred thousand £4,100,000
pounds only

or order



Midland
Bank
Limited

31st July 1975 40-06-10

Pay Britain
Five million one hundred thousand £5,100,000
pounds only

or order

"573051" 40-1840: 00643912"

"573052" 40-1840: 00643912"

Was it this much?

Was it this much?



31st July 1975
Lloyds Bank Limited

30-97-78

27-24

PAY Britain

OR ORDER

Seven million one hundred thousand £7,100,000
pounds only

DUNLOP
Dunlop

"30 00 01" "1340 9527"



31st July 1975
Lloyds Bank Limited

30-97-78

27-24

PAY Britain

OR ORDER

Ten million two hundred thousand £10,200,000
pounds only

DUNLOP
Dunlop

"30 00 02" "1340 9527"

BARCLAYS

31st July 1975 20-71-64

Pay Britain
Eleven million four hundred thousand £11,400,000
pounds only

or Order

DUNLOP
Dunlop

BARCLAYS

BARCLAYS BANK LIMITED

31st July 1975 20-71-64

Pay Britain
Twelve million six hundred thousand £12,600,000
pounds only

or Order

DUNLOP
Dunlop

Was it this much?

No. If was all of them put together. Between Jan 1st 1975 and July 31st 1975, Dunlop exports totalled £51,500,000. That's 30% up on last year. £4,100,000 for aviation equipment, £5,100,000 for fire fighting equipment, £7,100,000 for sports goods, £10,200,000 for industrial hose, £11,400,000 for tyres and £12,600,000 for the other Dunlop products.

DUNLOP

FINANCIAL TIMES REPORT

Tuesday, September 16 1975

Northumberland

Last year's reorganisation of local government took nearly half the population of Northumberland into the new county of Tyne and Wear. But the main issues facing the county are still unemployment and rural depopulation.

NORTHUMBERLAND IS a county of sharp contrasts. It is one of the largest counties in England and Wales and one of council which is to be published in about two years time the vast grandeur of the National Park, ancient monuments like Hadrian's Wall, a string of famous castles, rich farmland, and thickly wooded forests as well as the industrial beehives of North Tyneside.

Local government reorganisation last year accentuated the contrasts as well as the problems. For if the main objective of reform was to create viable local government units based on the "economics of scale," the result achieved in Northumberland was exactly the opposite.

The 3 per cent. of the land area lost to Tyne and Wear metropolitan county included some of the Newcastle suburbs, the popular seaside resort of Whitley Bay and the new town of Killingworth—a total population of 230,000. It represented a rated loss of £20m. a year to the county; but it still left a land area of 1,244,000 acres with only 285,000 people to inhabit it.

Nor has it alleviated to any great extent the twin problem of the county: unemployment in the thickly-populated south-east corner where it reached 12.5 per cent. among men in Blyth Valley in July; and rural depopulation in the districts of Alnwick, Berwick-on-Tweed and Tynedale where density per 10 acres is one person. (It contrasts with 36 in Blyth Valley and 39 in Wanstead, the two largely urban areas with 45 per cent. of the county's population.)

No wonder then that the long-term structure plan which is being prepared by the county council and the regional airport, Finally, the contribution to the school building and improvement programme to nearly £3.3m. with a nearby port outlet at rates by new industries, by comment programme serving 53,000. (The sum takes no account of trunk roads such as the A1, which has already been a port plan, the county council has and A896 and for major roads such as the A1, A106 and A162m. and major highway

travelling distance of both Newcaste and the regional airport.

Blyth, has grown from a small, mere and the 80 per cent. pupils is almost certain to suffer. As for its five-year trans-

22,000 in a matter of 11 years, munity, has already been a port plan, the county council has and A896 and for major roads such as the A1, A106 and A162m. and major highway

travelling distance of both Newcaste and the regional airport.

between the two sets of proposals: and that it has seen fit to produce interim plans on rural industrial development as well as on transport well ahead of the publication of the main proposals. The consequences for the county council of local government reorganisation were made no easier by the subsequent cuts in public expenditure imposed by central Government.

Local government reorganisation last year accentuated the contrasts as well as the problems. For if the main objective of reform was to create viable local government units based on the "economics of scale," the result achieved in Northumberland was exactly the opposite.

Hardly had the council come to terms with an increase in its gross expenditure for 1975/76 limited to 1.5 per cent. when Chancellor Healey's July

measures imposed a nil growth. Its implications are still being digested by the council: but it seems most likely that essential items such as education (which comprises over 40 per cent. of the total budget) and roads will suffer.

The only sector which is has no fewer than three new

purchase. This is not only because it affects contracts already signed, but also because land purchase has been one of the vital factors in the financing of Cramlington new town, the county's principal point for both population and the attraction of new industry.

The development of Cramlington by a triumvirate of partners consisting of the county council, Blyth Valley district council and two local builders is a fascinating

story.

Over 60,000 by the mid-1980s: council to limit its rates in 1975/76 to 17 per cent. well below the national average. It is not surprising that the uninterrupted Northumberland with a new growth of Cramlington has frequently pointed out, the main priorities even in times of financial stringency.

Where the axe will fall on the county's spending is to be decided later this month. The total expenditure planned for 1975/76 before the new cuts (but after the 1.5 per cent. increase limit) was £36.5m., some £18.5m. up on the previous year. But as Councillor Sydney Pickup, chairman of the finance committee, pointed out, the bulk of this rise was simply to keep pace with inflation. Only £1.2m. could be contributed by the county council's efforts to mitigate the sidered as finance for improved effect of the run-down in the services. Now even this modest mining industry (which has cost sum is likely to be wiped out by

lower "base programme" and the A697 and the A106, which are more costly "preferred programme." Government respons-

es to the former totalling £1.2m. But in Another, rather smaller

view of the Government's transport supplementary grant of only £1.2m. (£1m. less than ex-

pected by the council), the 1975/76 expenditure on transport

will be only £5.6m. taking into account of inflation, or £1.2m. less than originally planned.

Nevertheless, the plan makes it clear that the county's long-term strategy for transport remains the same: to preserve its transport programme as much as possible in halting depopulation in towns, combined with understandable as communica-

tions are vital to its promotion in some areas in the North.

and priority to road improvements designed to reduce traffic incidents. Any finance towards the corner of the county is numerically more important from the bus and rail transport point of view of both general achieving a healthier sp

new roads will aim at improving links between existing prosperity and for keeping an economic activity that

already committed high-quality employment at reasonable the county.



Twin problems remain

This Report was written by ANDREW HARGRAVE



NORTHUMBERLAND
presenting a good case for
expansion-minded
industrialists

Northumberland. The 'new' county, big in area, with names to match. Expanding their markets from a county where there's plenty of room to grow.

Only 50-minutes from London by air (six times a day). Three and a half hours by train. A good place to work. A good place to get to, and from. And to live in—over four fifths of the county is rich countryside. For expansion-minded industrialists Northumberland presents a case worth looking at.

For full details contact John Lodge, County Planning Officer, Northumberland County Council, County Hall, Newcastle upon Tyne NE1 1SA. Telephone: Newcastle (0632) 26613. Telex: 537048.

A member authority of the North of England Development Council.

John Lodge
NE1 1SA

NORTHUMBERLAND II

Unemployment worries

IVEN IN its truncated size, the July unemployment in Northumberland continued to figures were certainly a repeat, on industry as the minder that the pace of replacement of income for a large number of lost jobs cannot be allowed proportion of its working population to slacken. In industrial south-east. The problem has been east Northumberland the 4,390 similar to the rest of Northern unemployed represented 7.1 per cent. of the insured population in South Wales, that of replacing employment lost in coal cent. of the male workers.

Expansion

The remarkable exception to the general unemployment trend is Cramlington, the new town west of Blyth, which is Northumberland's major industrial growth point. The town has a population of around 22,000 and employment at the end of last year totalled 9,566 people, 8,061 of them in manufacturing industry. About 70 per cent. of all jobs were for men, and the prospect of a further 1,493 jobs has been envisaged by the end of 1976, with over 1m. square feet of new factory space under construction. A recent survey estimated that over 6,000 people served was certainly a major working in the town, or 64 per cent. actually live outside it.

An aluminium smelter which one consumes 1m. tons of coal a year.

Another was the port which has been developed. Also manufacturing employment more than doubled in the three-and-a-half years between June, 1971 and December 1974.

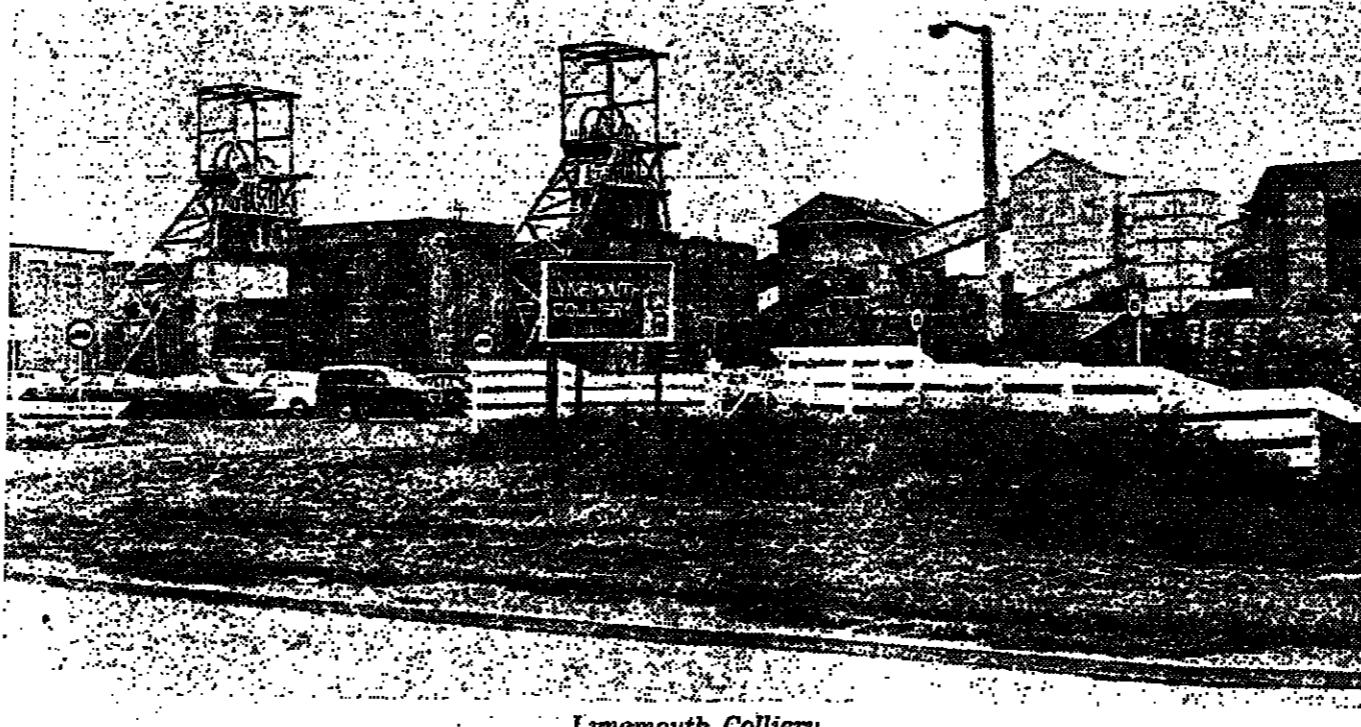
The pit has recently been several "multi-nationals," announced by Sir Derek Ezra, chairman of the NCB.

Although the amount of coal at Cramlington alongside such firms as Balfour, Balfour, Nylons or Wilkinson's declined from 5m. tons in 1965 to around 2m. tons, the Sword, Ronson has just extended its plant from 110,000 square feet to 180,000 square feet, with the addition of nearly 200 jobs.

Another major expansion in which are estimated at 12m. involving an investment pro-

gramme of £9m. has recently been announced by Commercial Plastics which is expected to increase its labour force of 1,400 by 300 over the next five years.

Nevertheless, the anxiety of fishing jobs (due partly to declining productivity) is never far from the minds of the Northumberland local authorities, and the Government (NEDC) and the County Council, the North of England Development Council in the form of the Department of Industry (in the rural areas and still) commented one of the Development Commission as well as of course anxious to running-in.



Lynemouth Colliery

promote development throughout the county, including the under-populated rural areas.

While the majority of Government and county sites of 10,000 sq. ft. to 25,000 sq. ft. in size, for factory development are in Cramlington, the largest single land area available for development is the 600 acres at Cambolis, on the coast in the Wansbeck district. It already houses the large Glaxo pharmaceuticals factory. Two other companies, including a Danish one which intends to build an iron foundry, have applied for planning permission with the prospect of more than 1,000 new

Another sizeable investment by Alcan was in Blyth harbour where 22.5m. was spent on installations which handle around 200,000 tons of alumina and 75,000 tons of petroleum coke a year. The larger part of the 500,000 tons of non-coal cargo being handled in the port has been diversified into paper and board, grain, chemicals and other products in the past ten years and the port is now also equipped with container-handling facilities as the first stage of a plan for a container roll-on roll-off terminal.

The smelter, one of the three major new smelters in Britain, is now running at only 80 per cent. of its annual capacity of 120,000 tons of ingots because of a work-to-rule in March this year but also because of the world-wide recession in aluminium.

The company appears to have succeeded in keeping air pollution to the minimum by spending £4.5m. on prevention. An independent investigating team monitoring possible pollution, the company claims, has reported virtually no atmospheric changes since the smelter came into operation.

Meanwhile, as already indicated, the county council has published its interim review statement on industrial development in rural areas in an effort to stem depopulation. In the north, Berwick-on-Tweed is also being helped by the Development Commission and the Eastern Borders Development Council whose brief covers the eastern parts of the Scottish border region as well. Programmes covering the next three to four years are being started by the county's rural industrial development committee, with the market towns of Alnwick, Morpeth, Amble, Hexham and Haltwhistle (as well as Berwick) designated as with further ones being planned to Iran, Nigeria and Japan.

Growth

Meantime, as already indicated, the county council has published its interim review statement on industrial development in rural areas in an effort to stem depopulation. In the north, Berwick-on-Tweed is also being helped by the Development Commission and the Eastern Borders Development Council whose brief covers the eastern parts of the Scottish border region as well. Programmes covering the next three to four years are being started by the county's rural industrial development committee, with the market towns of Alnwick, Morpeth, Amble, Hexham and Haltwhistle (as well as Berwick) designated as with further ones being planned to Iran, Nigeria and Japan.

A strategy for development

HEN IN the early 1960s it was apparent that Northumberland's economic base would change as a result of run-down in mining and, to a lesser but still significant extent in heavy industries, the county council was faced with the choice of allowing Northumberland to be reduced to a rural tourist area or, on a policy of rapid diversification and modernisation,

leaving, for the latter, the county found the 1963 Hall Report on the regeneration of North East England a very guide. Thus the combination of "growth points" and infrastructure improvement, including a viable communications network, builders, Mr. William Leech and Mr. John Bell offered to undertake the private sector development if the services were as new towns had been provided by the local authority.

At the Government's insistence, the two well-known local

share of the services; the district would provide more services as well as council housing, and the private builders would build houses and commercial premises for sale.

Craving for industrial development, as well as provide its

success in terms of providing jobs not only for its own inhabitants but for the thousands coming in from the outside. It also has for a new town, in an uncharacteristically large proportion (about 80 per cent.) of owner occupiers or (to a lesser degree) members of the

North of England Housing Association—of course is one of the consequences of private developers being involved.

To avoid financing of the new

towns becoming a burden on the Government, it concluded that all three towns—Peterlee, Ashington and Washington—were sufficient to meet the needs of the region in terms of new settlements and economic growth points of this particular kind. That all three towns became south of the rates, the county devised a five-year land purchase to fit in with the capitalisation on interest charges allowed by the Government plan, though it did not go down existing Town Development

Partnership

Land for industrial development—

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though it did not go down existing Town Development

borough of

BERWICK-UPON-TWEED

needs

Tourism and Light Industry

offers National growth point at Berwick-upon-Tweed, with supporting growth points at Elford, Seahouses and Wooler. Advance factory facilities through Development Commission. Main road and rail communications, with good port.

Altogether the county's plans strategy, a peripheral arc route being prepared at Amble, Berwick, Wylam, Prudhoe, Craster and Cawfields.

Reclamation does not only improve the "image" of the county but is a considerable incentive to the expansion of tourist trade. It is difficult to establish to what extent Northumberland is in the probably unique position among local authorities of being in the speculative land business.

Another problem likely to arise will be the establishment of a democratic base for the new town which is administratively part of the county and of Cramlington, with an existing population of 22,000 and a target of over 60,000, has become all the greater to the county owing to local government reorganisation and the loss of representation from the citizenry of Cramlington.

On the other two main supports for the reconstruction of Northumberland—communications and land reclamation—progress has been reasonably satisfactory up to now, though the restrictions on public expenditure are bound to slow it down in the next few years.

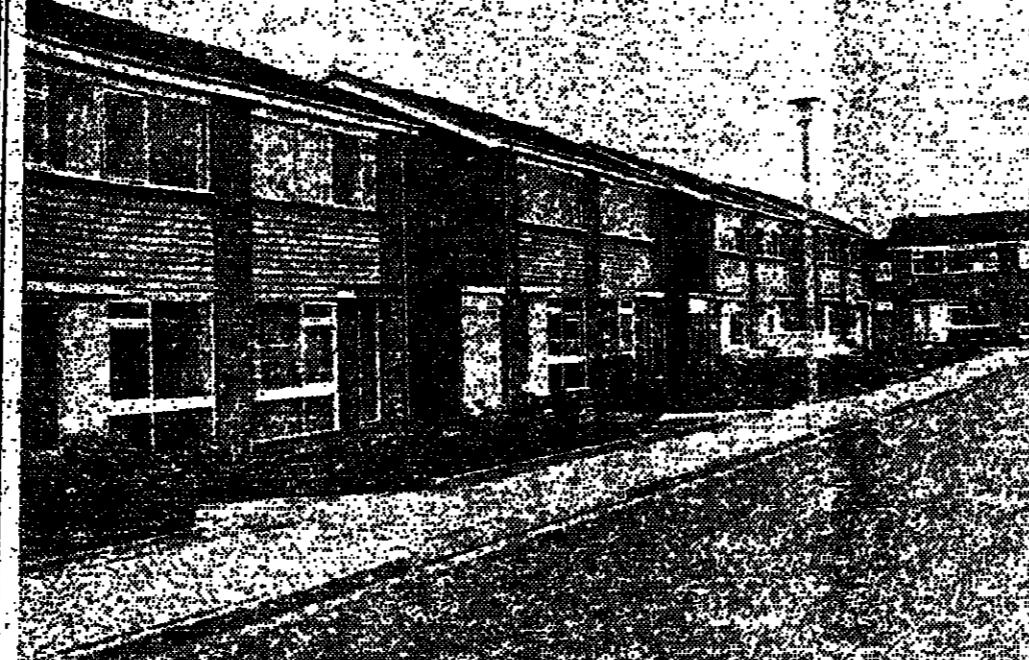
The Tyne Tunnel, its links with the main arterial roads and the "spine road" connecting it with centres such as Blyth, Ashington, Bedlington and Berwick, will remain the largest reclamation schemes in Britain. That is why the restraints on spending imposed by Government policy are bound to have a more serious effect in Northumberland than elsewhere, for there is more leeway to make up.

Reclamation

The county has also prepared a plan for the reclamation of 7,700 acres of derelict and disused land, the larger part comprising pit heaps and excavations. The report published a year ago shows that 1,740 acres had already been reclaimed (the reclamation of a single complex at Ashington is estimated to have cost around £2m. so far) and nearly 300 further acres were being treated.

As the report says, the Ashington project, one of the largest reclamation schemes in Britain, will remain the county's major commitment in Beaton Burn, Widdop and this field up to 1979/80. But Morpeth, has been completed; it is not the only one. Other

but the final part of the road schemes are under way or are



New housing at Cramlington.



In the Service of Medicine

Searle's ultra modern factory was established at Morpeth in 1969 on a 28 acre site and now employs over 400 people.

A large extension has recently been completed and is now in use.

This plant is one of the key manufacturing units in the international organisation of G.D. Searle & Co., a leading U.S. pharmaceutical company, and as such is a supplier to many countries.

SEARLE Searle Laboratories Whalton Road, Morpeth, Northumberland

There's more than meets the eye in Northumberland



Take this pelican for example, now making its home in the county. Yet it doesn't take a rare bird to recognise

WANSBECK as the place to live and work in the North

Find out why by contacting: Gerry White, Chief Leisure and Publicity Officer, Wansbeck District Council, Wansbeck Square, Washington, Northumberland Tel. 0670 814444



LIVE AND WORK

THE BOROUGH OF BLYTHE VALLEY

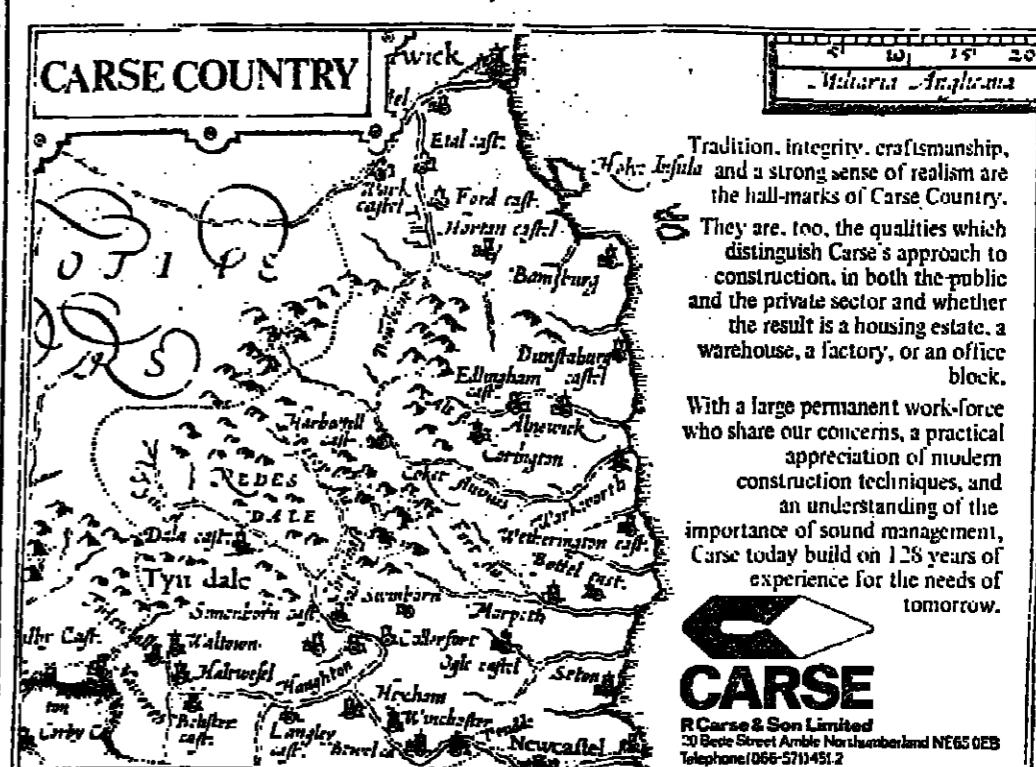
The formation of the Borough of the Blythe Valley in 1974 combined the "old" and the "new" to the best advantage, resulting in the creation of one of the North East's most exciting areas embracing the Town of Blythe and Cramlington New Town. What we have to offer:

FOR THE INDUSTRIALIST—A superb development area, full Government grants, industrial sites available and fully serviced, Nursery factories, excellent communications, local authority housing available, with an expansion programme for the future.

FOR THE RESIDENT—Financial assistance for house purchase, excellent environment, modern houses at realistic prices, beautiful links and foreshore and within pleasant driving distance of Northumberland's National Park.

For further particulars please contact:

Mr. P. W. Ferry, Chief Executive, Borough of Blythe Valley, Council Offices, Senton Delaval, Whitley Bay, Tyne & Wear. Tel: 0632 480786.



Tradition, integrity, craftsmanship, and a strong sense of realism are the hall-marks of Carse Country.

They are, too, the qualities which distinguish Carse's approach to construction, in both the public and the private sector and whether the result is a housing estate, a warehouse, a factory, or an office block.

With a large permanent work-force who share our concerns, a practical appreciation of modern construction techniques, and an understanding of the importance of sound management, Carse today build on 128 years of experience for the needs of tomorrow.

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Telephone (0656) 5714512

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

• PROCESSING

Push-button pattern making

GRAPHIC conversion from an artist's sketch to the full size "long films" for engraving, has been speeded up from weeks of manual work to two-three hours with the SCI-TEX System Response 200, from Israel.

Applicable to printing in textiles, wallpaper, flexible decorative foil, packaging and many other fields, the Response 200 will scan up to 12 colours and allow editing and selection of the colours and design. It will finally separate each colour to produce the black/white long films used for engraving, through an electronic laser camera. The areas are then used in the preparation of galvanic and lacquer rotary screens, flat screens, rotogravure and roller cylinders.

The entire system comprises the SCI-TEX scanner, a central processing computer, a magnetic tape and disc memory for designs and colours, a colour design console incorporating a screen, electronic stylus and manipulation controls; next to this are the colour display terminal and the electronic laser camera.

The design can be manipulated to place it on repeat square set, half drop or irregular drop. Colours can be accentuated to locate and isolate geometric alloys.

and colour faults. By using the electronic stylus details can be added or deleted, design portions can be marked; the pattern can be zoomed up or down and rotated, as required. Substitutes for backgrounds and design details can be recalled from the computer memory to be superimposed on the television screen. Colour areas can also be overlapped or underlapped.

Also available on this system is a time sharing facility so that film exposure can take place at the same time as work on another design.

Further information from West Bridgford Machine Company, 4 Wilford Lane, West Bridgford, Nottingham NG2 7QX (0602) 566618.

Cheaper thin wall small tube

ELLAY ENFIELD Tubes (EET) has commissioned a plant at Workington, Cumbria, to manufacture thin-walled tubing of copper and aluminium and their alloys.

waste is pollution-free.

A number of printers in the United States are already using plastic plates and reports indicate that reproduction does not suffer.

Introduced to the U.K. by sole agents Funditor is equipment designed for the automatic processing of plastic plates. Two machines are available: the model SP (single plate) which will process 70,100 photopolymer plates per hour, and dual plate machine, model DP, which will process twice as many in the same time. Maximum plate size in both cases is 18 inches x 24 inches (457 x 610mm).

Funditor (Lamson Group) is at South Way, Wembley, Middlesex HA8 0HE (01-802 3022).

POWER Boiling bed burner cuts out sulphur

FLUIDISED combustion steam and power generation plant combining efficient fuel usage with environmentally clean operation, and a saving in capital cost, will shortly be available following an agreement between Babcock and Wilcox and Combustion Systems to develop and commercialise British expertise in this field.

Babcock and Wilcox design and supply plant for generation

• METALWORKING

Capstan fed circular saw

BY ADDING a capstan feed to a front cutting traversing circular saw, large sections and solids can be cut manually with little effort, says Sawtech-Channel Westfields Ltd, London W3 0RE (01-993 0212), introducing the Gaco 400 saw which uses this

frequency induction process.

which operates on a high frequency induction process, enables a sophisticated roller re-

duction facility, offering up to

50 per cent reduction in di-

meter and is claimed to be the

first of its kind in Europe.

It is to be up and running in little

over a year, by October 1976.

This seeming haste has a reason. Euronet is meant to

establish a direction for network communications in Europe

before the Community becomes

so cluttered up with networks of

different designs that common

solutions become difficult to

enforce. The report lists more

than 20 networks, some purely

European, others in part covering

European communications facil-

ities, rates, and new European

creation, few of which are

directly compatible with one

another.

It is claimed that there is no

sacrifice of the benefits associ-

ated with cold circular sawing

of speed and precision with

clean burr-free cut. The cutting

head is mounted on twin slides

and connected to the capstan feed

by a rack and pinion. Three lever

selected speeds enable a range

of materials to be cut, including

tough alloy steels. Horizontal

and vertical clamps secure the

workpiece and, for mitre cutting

the head can be rotated.

Maximum capacity is 144 by

54-inch sections, 144 by 4 inch

solid diameter tubing at a lower

cost than has previously been

possible. The mill uses coiled

strip as feed, which is formed

into tubing and welded along the

line of contact by high frequency

induction to form a scarcely

visible seam. The welded tube

is then reduced to the required

size by a series of rollers.

Tubing can be supplied with ex-

ternal diameters of between 31

mm and 5 mm and with a wall

thickness of between 0.9 mm and

0.25 mm, and in some instances

as thin as 0.127 mm.

Rio Tinto-Zinc is at 01-930 2399.

• AUTOMATION

Reproduces coinage dies

AUTOMATIC reproduction of relief, medal, seal or coinage dies can be carried out on a die reducing machine made by EVD Engineering, Cotswood Street, West Norwood, London SE27 0DS (01-761 2121).

Called the Type 712, it is an engraving machine of the three dimensional pantograph type (like its predecessor the Type 711) but with improvements in the setting arrangements and control. In addition, the introduction of solid bearings and a new down feed are said to give improved definition and increased productivity. The machine is now capable of generating exact 1:1 facsimiles of existing dies. Cambering facilities are available as an option.

It will accept models from 38 to 400 mm dia. Reducers in metal or epoxy resin can be obtained from the 400 mm dia. model, and from 19 to 38 mm dia. from the 38 mm dia. model.

Although some work has already been carried out in Sweden and interest in the system has been expressed in the U.S. it is understood that the Central Electricity Generating Board has no plans for a future station using fluidised combustion.

It is estimated that both capital and operational savings of over 10 per cent could be achieved with fluidised combustion steam raising for power generation.

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The Executive's World

EDITED BY JAMES ENSOR

Chris Lorenz describes a change of philosophy at the German electrical giant

Siemens against the Seven

TO MOST PEOPLE "The Seven" is a phrase associated with Samurai, bravery or magnificent cowboys. But to a Siemens executive it has a very special association with business pride. It refers to the seven world competitors with whom Siemens regularly compares its profitability — always with negative results.

It is most unusual for a major German company to draw public attention to its shortcomings. But this is what Siemens has done since Dr. Bernhard Plettner became president and chief executive in 1971. And every year, at least on its own public definition, Siemens comes off much worse than the mean average of the seven companies it considers to be the top group in the international electrical industry. U.S. General Electric, ITT, Philips, Western Electric, Westinghouse, Hitachi and Matsushita.

Since his elevation to the top job at Siemens, the £3.3bn. group has placed an emphasis on maximising profits which is probably greater than at any time in its history, almost certainly in the post-war period. This may not be directly due to Dr. Plettner's personality: for one thing, Siemens is far too well-known for its plethora of committees for any individual's influence to be exaggerated. For another, this emphasis was a logical one after the long post-war stress on reconstruction and physical expansion had been accompanied in the last years of his predecessor's rule by a major reorganisation, which merged the three main companies into one, Siemens AG. This is not to say that expansion has ceased, merely that it is slowing in relative terms (with non-German capital expenditure now accounting for nearly a third of the total).

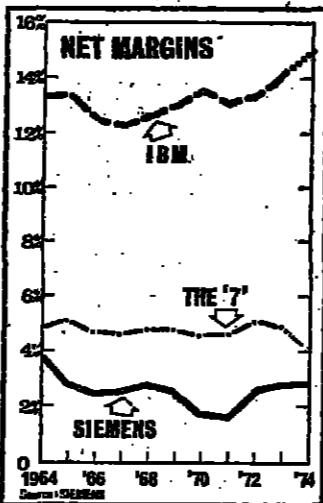
Doubters

When Dr. Plettner was appointed, there were many doubters. Was this engineer the right man for a job which would have a strong financial bias? Certainly, his natural leanings towards capital investment were a different story. Dr. Plettner considers that Siemens has broken the back of its investments for the moment and therefore passed the peak in terms of its sales/capital expenditure ratio. What with emerge in conversation: his recent geographic expansion and the fact that the average financial questions is conducted in measured tones; and it is only about ten years — except in when he is asked about product design that he leans forward and enthusiasm. But his ing that a plateau has been financial achievements so far reached. Outlay in the current year, which closes at the end of the 60-year-old head of the month, is expected to be to get dividend target about DM1.18bn., compared with retained earnings onto the coming year it will rise little, 40 basis, an aim first achieved at all, even in nominal terms. In 1971-72 and again last year, Siemens now on a cycle with an obviously beneficial which may be as long as ten years. (the previous year, burden is one of the main reasons for Dr. Plettner's confidence in that "we will narrow the gap with the others" if not a slight profit upturn gap with the others." If not order to hasten the process close it.

But how large is the gap between Siemens and "The Seven"? Siemens' own conception in the international profits is illustrated in the graph, due to several factors, in international comparisons of its relatively high past profitability are always hazardous on research and development, because of different and capital expenditure, national (and corporate) account 1972 and 1973 it spent more on computing practices. The seven



Dr. Plettner puts a strong emphasis on new product design: Siemens' prototype of a new monorail system, which is being developed for Dusseldorf, is typical of its search for new technology in transportation



were picked partly for their stature in the industry, and partly because a cross-section was needed to compare with Siemens' unusually broad range of activities. Apart from the obvious dangers of comparing different national calculations of net profit, there are two major problems in this case. First, Siemens has deconsolidated some of its main activities which are now jointly-owned subsidiaries, particularly the turbine nuclear transformer sector which several of the seven companies are not consolidated, which affects the comparison with GE and Philips, for example. Moreover, the loss-making power engineering interests were deconsolidated during the period shown in the graph (in two stages, 1968/9 and 1973/4).

Secondly, there is disagreement in Germany itself over profitability definitions. The formula now used by the German association of financial analysts would give Siemens a net margin of four per cent. for 1973/74 against its own calculation of 2.9 per cent.; it expects its figures to be 2.7 per cent. this year in comparative terms (though an extraordinary one-year pensions provision may cut it to 2.4 per cent.). One compromise suggestion for the purposes of international comparison — and which Siemens has now adopted in its reports to analysts — is based on the German analysts' formula except that it does not add back to profits the pension provi-

sions. This gives a 3.6 per cent. net margin for 1973/74, and a smaller gap with "The Seven." It is a mark of Siemens' new emphasis on profits that its margin this year should be a full percentage point above the 1.7 per cent. of the 1970/71 recession, although the current recession is worse and although one of its main stalwart German businesses, telecommunications — which brokers James Capel estimate has accounted for 35 per cent. of profits — is in an unprecedented slump. The deconsolidation of its nuclear interests is a small part of the explanation, but more significant in underlying terms has been the improvement in productivity since 1971, together with the fact that management was much quicker to reach this time by starting short-time working and keeping stocks to a minimum.

Dr. Plettner reckons to achieve a three to four per cent. real increase in productivity from his German factories, rejecting claims that they are already at the maximum possible level. A lot more has still to be done in Germany, he says. How? "By hard work."

Instability

Top management is also concentrating on the few weak sectors, which it wants to bring into profit. Pre-eminent is data processing, which Dr. Plettner says has made only a slightly smaller loss this year than the DM200m. of 1973/74 — and which to the outsider looks like staying in the red for years to come in view of the instability of the European computer industry.

Another problem area is power engineering, though Kraftwerk Union's losses have been declining. AEG's well-publicised nuclear losses being treated as a separate item. And components, now going through another recession, need to be put on a steadier basis, a perennial problem for everyone in the semiconductor industry, which has a short and savage profit/loss cycle.

While Siemens has already narrowed the gap with "The Seven," Dr. Plettner admits that the real improvement in profitability is still to come.

Last year's net return on other than Siemens: a gradual capital employed was only shift away from the Continental, and especially German, level after a bleak period in emphasis on long-term profitability — implying above-average a strong element of cyclical investment — rather than the

But why put such an unshort-term and (as the GEC preceded emphasis on profits article suggested), a shift by when the German banks are at least some British companies supposedly less concerned with in the opposite direction. In them than their Anglo-Saxon counterparts and with their stock exchanges than Wall Street or the City? And won't it harm Siemens' long-term development? Dr. Plettner's reply is an emphatic "No," and he gives

three reasons for the new drive to improve the group's internal finances. First, it is only right to bring the loss-making sectors into profit. Second, no one likes to be over-dependent on banks, however willing they may be

(though he says bank finance has been used only for overseas expansion and not, as is often suggested, for German projects). And third, Siemens might not need or be able to go to the same, apart from one bleak year, for more than a decade?

Since Siemens is not one of the in the past: he refers to the those German companies whose state of the capital market as stock is held by only a few individuals and institutions. The difference is certainly one of

one possible problem at some future time.

All this may reflect a trend national attitudes to investment, both in capital equipment and equities.

Shell markets for more money

BY NICHOLAS LESLIE

WHEN THE PRICE OF oil was sharply increased by the producing countries some 18 months ago a substantial burden was placed on industry throughout the world to find sufficient funds to meet the extra cost.

In the front line of those companies so affected was, somewhat ironically, Shell, the world's second largest oil company.

This, as was felt, would make them more aware of themselves as all-round businessmen. And the Governments of the oil producing countries, although usually retaining a minority stake. What this means is that Shell has become a less vertically integrated group, relinquishing production but retaining transportation, manufacture and marketing. Thus, it has become a substantial buyer of oil and consequently a more marketing oriented group.

At the same time, however,

the loss of producing revenues

has put greater pressure on

marketing to produce a cash

flow rather than, as previously,

relying on finance coming

through "upstream" at the

production end.

Recognising that the company was faced with a new set of ground rules for marketing activities, Shell decided that it should make its senior marketing men around the world more aware of the new climate in which they would have to work.

While production was under Shell control, the pressure was to find markets for an ever

commodity it wants or needs to handle and can therefore resist pressures to market products at uneconomic margins.

To explain this and to give its senior marketing men around the world a practical opportunity to adapt and respond to the changed conditions Shell set up a course in co-operation with three other companies, the idea being to use the outside companies as working models. The three companies were Creators, part of the Imperial Group, and two companies within the Booker McConnell group — Sigmund Pulsometer Pumps and Sigmund Pulsometer Projects.

The Shell marketing men — all in senior positions equivalent to U.K. personnel in the £7,000 to £10,000 salary range — were drawn from such countries as Australia, South Africa, Brazil, Holland, France, Pakistan, Japan, Finland, Spain, Ethiopia and Britain.

While measuring the success of a training programme is difficult, Shell obviously feels that it has been worthwhile and is planning to repeat the course next year. It is a voluntary programme but next year's course is nonetheless already oversubscribed.



Siemens' prototype of a new monorail system, which is being developed for Dusseldorf, is typical of its search for new technology in transportation

There's always someone worse off than you. Us.

Most families have had to make a few economies lately. Tighten their belts and cut out a few luxuries.

Well, with thousands of children to care for.

Barnardo's has been hit harder than most families.

Unfortunately, we've no more belt to tighten. And we've never had any luxuries to cut out. All we have is children.

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We come in when the State cannot cope.

We feed and clothe them in our homes, educate them in our schools and care for them in our Day Care centres. We find foster homes and arrange adoptions. And still they keep coming.

Ours is not a fashionable business and we certainly don't show a profit. In fact we depend entirely on charity to survive. Your charity, for instance.

Make out a donation right now, or ask us about a Deed of Covenant. Give us a hand running a local fund raising group, if you prefer.

When you help a Dr. Barnardo's child, you can always be sure you're helping someone worse off than you.

We can't give unless you do.

Barnardo's

Britain's largest child care charity

I enclose a donation of £1 £2 £5 £10 £20 £50 £100 £200 £500 £1,000 £2,000 £5,000 £10,000 £20,000 £50,000 £100,000 £200,000 £500,000 £1,000,000 £2,000,000 £5,000,000 £10,000,000 £20,000,000 £50,000,000 £100,000,000 £200,000,000 £500,000,000 £1,000,000,000 £2,000,000,000 £5,000,000,000 £10,000,000,000 £20,000,000,000 £50,000,000,000 £100,000,000,000 £200,000,000,000 £500,000,000,000 £1,000,000,000,000 £2,000,000,000,000 £5,000,000,000,000 £10,000,000,000,000 £20,000,000,000,000 £50,000,000,000,000 £100,000,000,000,000 £200,000,000,000,000 £500,000,000,000,000 £1,000,000,000,000,000 £2,000,000,000,000,000 £5,000,000,000,000,000 £10,000,000,000,000,000 £20,000,000,000,000,000 £50,000,000,000,000,000 £100,000,000,000,000,000 £200,000,000,000,000,000 £500,000,000,000,000,000 £1,000,000,000,000,000,000 £2,000,000,000,000,000,000 £5,000,000,000,000,000,000 £10,000,000,000,000,000,000 £20,000,000,000,000,000,000 £50,000,000,000,000,000,000 £100,000,000,000,000,000,000 £200,000,000,000,000,000,000 £500,000,000,000,000,000,000 £1,000,000,000,000,000,000,000 £2,000,000,000,000,000,000,000 £5,000,000,000,000,000,000,000 £10,000,000,000,000,000,000,000 £20,000,000,000,000,000,000,000 £50,000,000,000,000,000,000,000 £100,000,000,000,000,000,000,000 £200,000,000,000,000,000,000,000 £500,000,000,000,000,000,000,000 £1,000,000,000,000,000,000,000,000 £2,000,000,000,000,000,000,000,000 £5,000,000,000,000,000,000,000,000 £10,000,000,000,000,000,000,000,000 £20,000,000,000,000,000,000,000,000 £50,000,000,000,000,000,000,000,000 £100,000,000,000,000,000,000,000,000 £200,000,000,000,000,000,000,000,000 £500,000,000,000,000,000,000,000,000 £1,000,000,000,000,000,000,000,000,000 £2,000,000,000,000,000,000,000,000,000 £5,000,000,000,000,000,000,000,000,000 £10,000,000,000,000,000,000,000,000,000 £20,000,000,000,000,000,000,000,000,000 £50,000,000,000,000,000,000,000,000,000 £100,000,000,000,000,000,000,000,000,000 £200,000,000,000,000,000,000,000,000,000 £500,000,000,000,000,000,000,000,000,000 £1,000,000,000,000,000,000,000,000,000,000 £2,000,000,000,000,000,000,000,000,000,000 £5,000,000,000,000,000,000,000,000,000,000 £10,000,000,000,000,000,000,000,000,000,000 £20,000,000,000,000,000,000,000,000,000,000 £50,000,000,000,000,000,000,000,000,000,000 £100,000,000,000,000,000,000,000,000,000,000 £200,000,000,000,000,000,000,00

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TUESDAY, SEPTEMBER 16, 1975

The thrift season

FOR the third month in succession the balance of payments has been better than was expected, consumer spending shows no significant recovery; the volume of buying seems to have stabilised for the time being 5 per cent. below the level in the first half of the year, and more than 6 per cent. below the peak reached in the two winter quarters. The trend has been established before the squeeze on real incomes implied by the present anti-inflation policy has really begun to hurt.

For more than a year now, personal savings have been running at far above their historic average, and well above forecast levels. In other countries the same behaviour has been seen, and has persisted in spite of a sharp fall in real income, and all the available evidence suggests that so far, at least, British consumers are showing the same thrifty pattern of behaviour. Not only are retail sales down further than real income has yet fallen, but saving with the building societies remains very high, while borrowing, except from the building societies, has virtually dried up.

Paradox

The whole situation leads to the apparent paradox summed up in recent Opposition speeches on the economy, in which demands for economies in the public sector alternate with suggestions for an expanded programme of public works to provide opportunities for the unemployed, especially the new school leavers. In fact, there is a way in which the paradox makes sense. A determined attack on the apparently uncontrollable growth of costs and manning in the basic public services is vital for the restoration of economic health and business confidence; but an anti-depression programme of restraining would be socially helpful and—given the high level of unemployment benefits—relatively cheap. Since consumers are so restrained a mood, there is also a case for wondering whether the existing restraints on hire purchase and personal lending by the banks are not a matter of over-severity. But any relaxation on these lines is unlikely until the Chancellor is convinced that inflation is really being brought under control; nor would it be possible, even if he wished, to engineer a recovery before then. Inflation itself is, after all, the root cause we went long ago from of this deep and persistent more austere fiscal policies: recession.

Eroded savings

Various explanations have been offered: a desire to restore the value of savings eroded by inflation, a reluctance to borrow at a time when employment prospects are questionable even in the most sheltered occupations, the disallowance of bank interest charges against tax, and fear of future inflation in the price of everyday necessities. There is probably something in all of them; and it seems only too likely that forecasts based on historic patterns of behaviour have given too little weight to them.

This self-imposed austerity has achieved very much the same economic results which some critics of the Government were wanting not long ago from of this deep and persistent more austere fiscal policies: recession.

Behind the Liberal ramparts

THE LIBERAL Party Conference which opens at Scarborough to-morrow does calling most vociferously for not promise to be a very change on the radical, happy affair. The Party's Young Liberal wing, it is in no shortage of policies, practice almost impossible to many of them sensible and solve organisational difficulties original, and still commands the without also tackling the fundamental question of where the cent. of the voters, if the evidence of the opinion polls is to be believed. Yet there is no true in relation to the personal position of Mr. Thorpe, which for the moment to have lost is now under fairly sustained their way. They are considerably less popular than they were a year ago and they are wing of the Party, both because deeply divided on what ought to be done either to regain their popularity or to acquire some new ideological momentum with which would give promise of better things in the future.

Some of the reasons for this eclipse are no more than the inevitable reaction to forces over which the leaders of no minor party could have any control. A decline from the high point of Liberal fortunes in February of last year was very probable as many discontented Conservatives who had swollen the Liberal ranks at that time returned to the fold. The brief moment when the Liberals genuinely held the balance of Parliamentary power and therefore possessed an unusual initiative and interest has passed. In Scotland and in Wales they have been upstaged by the more extreme Nationalist parties.

Holding operation

Observing this dilemma a Liberal observer would probably conclude that Liberalism's best hope lies either in electoral reform or in the break-up of the Labour Party and the amalgamation of Labour "moderates" and Liberals in a new Social Democratic Party of radical leanings but unconnected with the trade union movement.

And if this is ever to happen, it is presumably necessary that the Liberal Party does not fall into the hands of anything too "way-out" but at the same time that it does not lose its present electoral base by being indistinguishable from the Conservatives. In other words Liberalism in the next period will have to continue as a holding operation keeping the bulwarks of Social Democratic politics mired with a sparse garrison and hoping for reinforcements. This is a somewhat tortuous strategy demanding considerable restraint and patience from the troops and much from the commander. The chief question at Scarborough this week is balance and power within the Party are involved. The present whether these commodities are predominantly on now exhausted.

The trouble about adopting any simple remedy of this kind is that vital questions of balance and power within the Party are involved. The present whether these commodities are predominantly on now exhausted.

Questions—and answers—on electoral reform

Question: Last week you argued that our democratic process of government decision-making was being worn away. How can we get it back? (A composite of the questions put by several readers in letters published yesterday.)

Answer: Militant democrats should unite. If they are to do so they must find a single cause. People who disagree about many other things—the exact mix in the mixed economy, the pros and cons of incomes policy, the best approach to moves towards further integration of Western Europe, or whatever—can at least agree that if our electoral system is unfair it should be changed.

Q: But is it unfair?

A: In February 1974 the Conservatives won nearly a quarter of a million popular votes more than Labour, but Labour won more seats, and so "won" the election. In October the Labour Party attracted even fewer votes than in February (while the Tory vote fell even further), but this was regarded as a "mandate" from the people to carry out Left policies supported by fewer than a fifth of the voters.

This can work both ways: in 1951 Labour won 200,000 more votes than the Conservatives, but it was the Tories who by chance won the most seats that time. However you cut the figures about, there can be little fairness in a system that in October, 1974, needed, on average:

35,915 voters to elect one Labour MP,

37,771 voters to elect one Tory MP,

40,777 voters to elect one Ulster Unionist MP,

55,440 voters to elect one Plaid Cymru MP,

76,323 voters to elect one Scottish Nationalist MP,

and 411,238 voters to elect one Liberal MP.

Q: All right, it is rough justice, but surely it provides strong government?

A: Was Mr. Edward Heath's Government, the one that was forced into a U-turn halfway through its term of office and then defeated by the miners at the end of it, a "strong government"? Is Mr. Harold Wilson's administration, held in thrall as it is by the trade unions, a "strong government"? If Mrs. Margaret Thatcher won an early election, which is quite likely, would she be any better-placed to win acceptance for specifically Tory measures than was the triumphant Mr. Heath of midsummer 1970? Really strong government rests on the broad-based consent of a convincing majority of the people.

Q: Hang on a moment. Did not proportional representation cause the rise of Hitler in

TOTTENHAM	X
LEPOOL	X
NORWICH	X
ONE	
NEW LEEDS	
NEW STOKE	
NEWCASTLE	
EST HAM	X
WICH	X
DERBY	
FE LTD	
ERLAND	
CHELSEA	
LBURN	X
LUTON	
STOL CITY	
LISLE	
OLDHAM	X
Y BROM	
MOTTS CO	
ULHAM	
YORK	
MANSFIELD	
STER	
ERBOROUGH	
EFORD	
LLINGHAM	
LSAL	X
WREXHAM	X
PRESTON	
ALIFAX	
SBUR	
GRIMSBY	
ACASTER	X
OUTH	
STOCKPORT	
EADING	
WANSEA	
LINCOLN	
WATFORD	
DN CREWE	X

QUESTION: Systems of proportional representation are too complicated for British voters to understand, aren't they? ANSWER: Millions of British voters can do complicated football pools (left). They can surely manage, as the Irish have done for half a century, the 1, 2, 3, 4 voting known as the Single Transferable Vote (top right) or—as the West Germans have done since the war—the two-vote mixed system (bottom right).

SINGLE TRANSFERABLE VOTE

T. BLACK	NAT. FRONT
1 A. BROWN	LABOUR
4 F. GREY	SCOTTISH NAT.
3 P. GREEN	LIBERAL
5 L. MAGENTA	COMMUNIST
2 H. WHITE	CONSERVATIVE

GERMAN SYSTEM

1st VOTE Candidate	2nd VOTE Party
T. BLACK NAT. FRONT	T. BLACK & LIST
A. BROWN LABOUR	A. BROWN & LIST
F. GREY SCOTTISH NAT.	F. GREY & LIST
P. GREEN LIBERAL	P. GREEN & LIST
L. MAGENTA COMMUNIST	L. MAGENTA & LIST
S. SCARLET INDEPENDENT	S. SCARLET & LIST
H. WHITE CONSERVATIVE	H. WHITE & LIST

Germany? Was it not the reason for farcical government in France?

A: These countries have never shared a voting system in common, let alone one that could be given the blanket name "proportional representation".

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A: Was Mr. Edward Heath's Government, the one that was forced into a U-turn halfway through its term of office and then defeated by the miners at the end of it, a "strong government"? Is Mr. Harold Wilson's administration, held in thrall as it is by the trade unions, a "strong government"? If Mrs. Margaret Thatcher won an early election, which is quite likely, would she be any better-placed to win acceptance for specifically Tory measures than was the triumphant Mr. Heath of midsummer 1970? Really strong government rests on the broad-based consent of a convincing majority of the people.

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in Parliament has risen to six to keep the Communists out. In France they have hardly ever tried proportional representation: the only time they used it without hopelessly bunging the rules was in three elections between 1945 and 1946.

Q: Yes, yes, but "proportional representation" is surely just a cranky obsession, something very few people can accept or believe in?

A: If this is so Britain is the only non-cranky country in Western Europe. It is the only member-country of the European Economic Community that uses the harshest system of representation they could devise. Even in France, where representation is not proportional (unlike just about everywhere else in Western Europe) they use the second-run off vote in an effort to minimise the absurdity of sending representatives to their parliament on 40 per cent or fewer of a constituency's vote.

Q: You are surely not going to keep the Communists out. This it does very well, since the voters can let themselves go on the first vote and fall into line on the second. It does not produce proportional representation; in fact it is designed not to. Anyhow, the French have a Presidential constitution, quite unlike ours.

A: The counting is complicated; its effect is to produce a set of representatives that most exactly mirrors opinion within the larger constituency. A five-member British constituency might send, say, two Tories, two Socialists and one Liberal to Westminster. The voters would have said very firmly which brand of Tories, Labour politicians, or Liberals they would be. This system favours voters' choices above party.

Q: Wait, what about that "unadulterated form"? Do you propose a party list in a modified form? What are you hiding?

A: The West Germans use a combination of the British system and the party list. Voters have two votes, all on one ballot form. On the first vote they mark their X by the

name of the candidate they prefer in Newham, for example, it could be Mr. Reg Prentice standing against the Labour official candidate. On the second vote they mark their party of choice: in that Newham election a Labour voter could then go to mark "Labour" on the second vote side. Provided the support is there, Mr. Prentice could win in Newham and the Labour Party would be assured of its due proportion of seats in Parliament.

Most significantly, the 1974 Society is sponsoring an all-party commission to propose a system suitable for Britain, and aims to report by next spring. Several distinguished people are serving, including the chairman, Professor Ralph Dahrendorf, head of the London School of Economics, and representatives of the three main parties.

Q: What can the "million democrats" do about any of this?

A: There will be no revolution until there is a major shift in public favour of inside Parliament and only a groundswell of public opinion can support a majority. Those who care should inform them as fully as possible about electoral reform and suggest within their political party.

Q: Is this the best system for Britain?

A: Westminster politicians who favour PR often prefer the German system because it could be introduced in such a way that most of them would stand a fair chance of being sent back to the House under the new rules. Also it does keep at least half the constituencies single-member; this is something about which there is a great deal of (unthinking) reverence in Britain.

Q: You seem unsure. What is the alternative?

A: The "Single Transferable Vote" as used in Ireland for half a century, and in Northern Ireland now, and as proposed recently taken to say the election what their terms would be once the was over. This gives a true idea of what they for. Of course, in any proportional system, that won half the votes be able to govern.

Q: Isn't all this a solution from our real social and economic problems?

A: Electoral reform is a first step towards the authority of Parliament. Without a Parliament it is British democracy can be restored. Subsequent might include a whole range of things like fixed-term elections, genuine regional devolution, England as well as in Scotland and Wales), a written constitution, and economic policies that we once reflect the will of the British majority. But there has to be a firm preference for one of the main alternatives (the single transferable vote is tops) should that

MEN AND MATTERS

Repatriate Scot for Leyland

Ian MacGregor, despatched to the States by Lord Beaverbrook to get up tank production, is due back to take an important role in the resurrected British Leyland. Head of American Metal Climax Inc. since 1968, he will be a non-executive director of Leyland—and, I gather, could have been chairman.

However, the last was a suggestion that this unassuming 33-year-old Scot had to turn down in favour of two more years' involvement with Amex, after which he is expected to live in Britain again.

He will, however, be one of the non-executives of the State-controlled British Leyland which superseded the old corporation last month. He has already sat in at meetings of the Leyland Board, which at present consists of the £47,500 chief executive Alex Park, four managing directors, and three others, all executives.

Lord Ryder, chairman-designate of the National Enterprise Board and author of the grand scheme for a happier Britain, reckons to have found a chairman, though the appointment is still not quite settled. It has been something of an embarrassing search, not notable for a scramble of applicants. Those approached include, almost certainly, Sir Ronald Edwards, former head of Beecham, and less certainly, Harry Urwin, No. 2 in the Transport and General Workers Union and British Rail chairman Richard Marsh. With the new boss, when he is eventually revealed, will come several non-executives. In addition to MacGregor, these will include Lord Greenhill, ex-head of the diplomatic service, and the only

though, to see how his professed admiration for America's virtues of economic self-sufficiency coincide with the realities at Leyland.

MacGregor is circumstantial about the whole business. The possibility of a Leyland directorship is "not something I want to comment on," he told me from his New York office yesterday.

His first job pre-war was with his father at the British Aluminum Company, though Ian MacGregor was keen on getting a wider view of general engineering so

The year cigarette sales felt the heat

BY ELINOR GOODMAN

YEAR may well prove one sure group, the mood is one of 30 per cent. As a result the most unpleasant the tempered optimism. After 15 years in which the number of cigarettes consumed has been growing—with odd interruptions for health scares and budget price increases—at around 2 per cent a year, the anti-smoking campaigners see signs of a sustained slackening in demand. If, as expected, sales this year end up well down on last year, it will be only the second time in the past 15 years that the market has failed to show any real growth for two consecutive years.

Cigarette sales this year are expected to be 5 per cent down on 1974, itself a year in which were virtually static. An unprecedented increase in tobacco duty, coupled with manufacturers' price rises, resulted in smokers cut down their consumption of cigarettes with a determination exceeded since 1962.

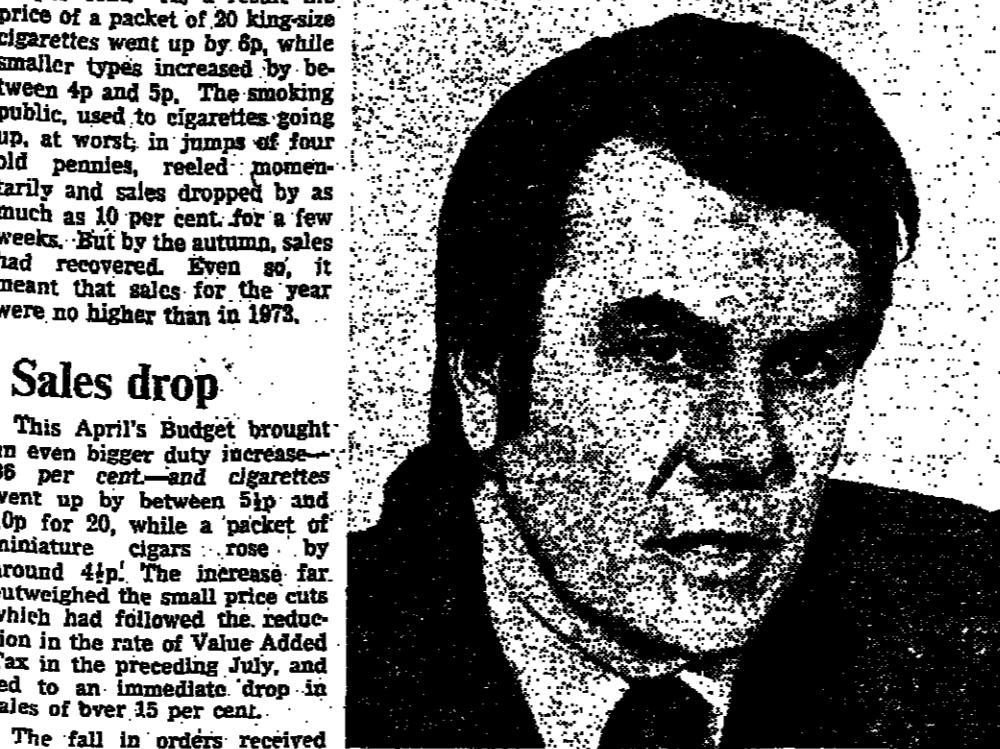
addition to this sales resistance because of price, the manufacturers have had to contend with a climate of opinion which has moved strongly against smoking, with a line of anti-smoking television programmes, and a Minister of Health—Dr. David Owen—approaches the task of stamping out smoking with a very evangelical fervour.

Not surprisingly in this situation, the tobacco industry is even more on the defensive than usual. Taking this furthest, perhaps, is Philip Morris, the American tobacco company, which has recently launched a public relations campaign in Britain, producing opinions from scientists which run counter to the weight of evidence that smoking causes lung cancer and heart disease.

Never before has the industry been hit by two such big rises in duty in such a short space of time. During the five years until the end of 1973, successive Chancellors had left tobacco alone. As a result the relative price of cigarettes had fallen well behind most other commodities as inflation has risen.

Then, in March 1974, the duty was put up by a massive 10 per cent. The anti-smoking prospects for 1975, as far as the industry is concerned, are much better. The Royal College of Physicians, whose report on smoking in 1971, led to a 4 per cent. drop in consumption, is due to issue its report next year. That likely to tell smokers anything they did not know already, but it is likely to delay the marked recovery in demand for a few more months.

the headquarters of the Royal College of Physicians, whose report on Smoking and Health (1), the anti-smoking press



Sales drop

This April's Budget brought an even bigger duty increase—36 per cent—and cigarettes went up by between 5p and 10p for 20, while a packet of miniature cigars rose by around 4p. The increase far outweighed the small price cuts which had followed the reduction in the rate of Value Added Tax in the preceding July, and led to an immediate drop in sales of over 15 per cent.

The fall in orders received by the manufacturers was even bigger, exaggerated by the fact that tobacconists had built up stocks in anticipation of another duty increase. As a result cigarette factories were put on short time for the first time in over 10 years. Since then there have been another two manufacturers' price rises. Most king size brands are now costing 47p for 20—10p more than in December, last year—while some plain cigarettes like Senior Service, have gone up by 12p for 20.

Sales have now, nonetheless, recovered to within 3 or 4 per cent. of their level last summer, and short time working is a thing of the past. But even so the Budget has had far-reaching effects on smoking habits. The smokers' reaction to these sudden price increases has been

predictably, to trade down, and (etters.) At the same time the king-size cigarettes, one of the major growth areas for the last three years, have started losing sales to cheaper brands.

Whereas last year king-size brands accounted for about 10 per cent. of all cigarettes sold, the proportion this year is expected to drop to around 9 per cent. (The king-size market could, however, receive another sales boost if plans to harmonise tobacco taxation along European lines come into effect as scheduled in 1978. The result of this harmonisation would be to narrow the duty difference between different sizes of cigar-

show a gain of some 6 per cent. of "appalling" behaviour in this year despite the expected rejecting or delaying such agreements.

The change in smoking patterns has done little to alter the relative shares of the £1.94bn a year market held by the three major companies. Imperial Tobacco, which owns both W. D. and H. O. Wills and John Player, still has around 64 per cent. of sales and Gallaher around 26 per cent. Another 8 per cent. is held by Rothmans International, with imported brands making up the remaining 2 per cent. In theory, Imperial should benefit from any trading down, as its greatest strength is in the cheaper end of the market. But Gallaher has compensated for the drop in sales of king size—the sector it dominates with Benson and Hedges—by the growth of low tar brands.

Brand shares could, however, be significantly changed if some of the ideas being mooted by the anti-smoking lobby become official policy—even in a watered down version. ASR is dedicated to outlawing as much as possible of the tobacco industry's £70m. annual promotional budget. It would like to see a total ban on sponsorship, advertising and coupons, thus removing all the industry's competitive weapons. While there seems little practical possibility of either a total ban on sponsorship or advertising, Dr. David Owen, the Minister of Health, obviously wants to squeeze further concessions out of the industry.

A real sign of the times is the fact that sales of roll-your-own tobacco have taken off after several years of stagnation. At the other end of the spectrum, cigar sales are also doing well—presumably as a result of the popular belief that cigars are less damaging to health than cigarettes. Meanwhile, the trend to milder brands has continued to widen the gap between the brands at the bottom end of the Government's cigarette smoking.

At the same time the industry has started to endorse a medical evidence about the existence of health risks. Thus, industry spokesmen preface remarks about health risk with the word "if" and the Government constantly stresses its belief in individual freedom.

Statutory

Dr. Owen has, however, repeated his warning that the Government would be prepared to take statutory steps to control the sale and advertising of cigarettes if no satisfactory voluntary solution could be found. His preference, it was clear, was still for a voluntary agreement.

The most notable concession by the industry has been to agree to print tar yield information on cigarette packs and to drop the use of coupons in high tar cigarettes—a concession which only involves a couple of brands. It has also agreed to stop cigarette advertising in cinemas except during "X" certificate films.

In April, he started the industry has also announced a tougher code of advertising practice which will ban advertisements linking smoking with sex, youth, manliness and business success. The code is to be monitored by the Advertising Standards Authority rather than

the tobacco industry's own internal watchdog. A code of conduct covering sponsorship is also being discussed. Thus the industry has gone some way to meeting most of Dr. Owen's proposals.

In the long term, however, it seems likely that the tobacco industry will have to make more concessions to the increasingly vocal anti-smoking lobby. Variations on the Government's policy of using the cigarette manufacturers' own media to publicise the health message—warnings on advertisements etc.—seems to have been virtually exhausted and the Government's attack on smoking thus seems set to enter a new stage, possibly involving legislation along the lines of the Medicine Act.

This Act, passed in 1968, enables Government action on drugs, based on advice from an expert and independent advisory committee after consultation with interests likely to be affected. If used in the context of tobacco products, it could cover the regulation and control of such matters as the use of substitutes and additives and allow enforced reductions in tar and nicotine yields.

Limits

All such discussions between the Government and the tobacco industry ultimately take place within narrowly defined limits. The Government cannot afford to jeopardise the £1.5bn. revenue it gets from tobacco duty, while the industry cannot in its turn be seen to endorse medical evidence about the existence of health risks. Thus, industry spokesmen preface remarks about health risk with the word "if" and the Government constantly stresses its belief in individual freedom.

Benfield and Loxley, Oxford, 11.30.

Equity Consortium Investment Trust, New Court, E.C. 4.

Helical Bar, 106 Pall Mall, S.W. 12.15.

Hollis Brothers and E.S.A., Howard Hotel, W.C. 12.

London and Garment, 2, St Mary Axe, E.C. 3.

Maybrook Properties, Cavendish Hotel, S.W. 11.30.

Rediffusion Holdings, Stratton House, W. 10.30.

Sorbian, Connaught Rooms, W.C. 12.

Wilkinson Hatch, Inn on the Park, W. 12.30.

Letters to the Editor

Motorway billions

Mr. G. J. A. Stern.

It is curious that neither Rail nor the Department of Environment has stated much each expects to save by proposed rail cuts. We see that most of BR's cuts fixed, it is clear that the cuts did not save more than £15m. a year. Indeed, if we consider effect of cuts and fare rises services which are often le-truck style already and with it, one can say that passengers will cost BR more than any savings made. A possible £15m. saving is not worthwhile, may I point that just one mile of motorway like the notorious proposed the Archway Road widening Highgate, would cost some that sum at least. Such scheme merely makes slightly comfortable the already in and out journey of an in-annual fraction of the motor minor, while public short cuts heavily impact majority.

Anthony Crook's

length through misery can a may or may not make some sense, but it makes no sense to strain at a few billions for motorways. If Crook is really trying to Highgate will happily be £35m. motorway to BR going.

A. Stern.

Herd Hill Association.

Herd Hill, N.E.

Dairy farmers' resentment

Mr. R. F. C. Gray.

The dairy farmers' discontent is the result of the operation of the Green swindle. By means of a fictitious rate of exchange we live only a percentage of the product price that our continental counterparts receive, though we have a comparable cost structure. It is only means of our superior innate strength that we have been able to survive thus far. The latest Milk Marketing Board costings show that the rate of gross margin is two-thirds of what is necessary to maintain a viable business. In order to cover this our output would have to be by some 50 per cent. The cost of servicing this amount of milk is not sufficient to make this solution a reality. In any case, increased production of milk is self-evident, since this only results in a decrease in the realised margin. The present discrepancy across margins is so large that a substantial increase in the room to manoeuvre is in effect of increased efficiency production is not sufficient. At present many producers are using their capital in order to stay in business. This must fit in a contraction of the industry, which once the Continental governments get fed up subsidising our food imports, will not only erode short-term wheeler-dealer advantages but also endanger our home-produced supplies. Milk powder costs to produce this is because the difference in cost have to be borne by a producer or by the butter and cheese manufacturer. The fact that many of the milk powder, but the main reason that has been made on the part of the consumer who read this letter should not be made a

matter.

Mr. J. H. Goodland.

Sir—Adrian Hamilton's review of Europe's gas supplies from the Chairman, J. N. Rowen (September 10) should stir British Gas, the most growth, awakes to the fact that only independent and fearless of our public corporations, into revealing its own problems, and the demand post-1985 plant. In a remarkably short period it has switched the construction industry, now from coal to naphtha and from naphtha to natural gas and moving until a hurricane sweeps in a decade, start switching through from natural gas back to coal or oil base. And it has the delay in obtaining planning permission and building the country a million pounds regulation approval is intolerable. It is caused by too much supplies from the southern basin be the responsibility of the (1.5p a therm?) have already architect and contractor peaked to their plateau and will. As a structural engineer, I soon be falling on the edge of consider that the submission of the graph. If it's much dearer steelwork calculations is time-wasting (6p a therm?) contracts with local authority is time-wasting the foreign licensees of Freg and unnecessary. Member firms and the oil-associated Brent field of the British Constructional will peak in 1982 and fall at the Steelwork Association employ rate of 10 per cent. a year thereafter. Experienced designers who, with Stadham against Continental engineering workshop, have practical training (1.5p a therm?) then experience. Structural failures the prospects for our natural gas in this country are rare.

What a

gas!

Mr. J. H. Goodland.

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Mr. J. H. Goodland.

Sir—It would appear that

the above says much about their

marketing techniques.

The recent IBM results were

out in the mid-day sun.

Of late

we could

understand it if the system in

we have had plenty of sunny

days and an abundance of sun-

than its competitors, but this is

mer madness.

Excluding the not so.

The computing profes-

and sporting scenes, the

sign agree that System 32 is well

performance and is largely sold

on the strength of IBM's name.

What is most alarming is that it

now appears that the British

entrepreneur is casting caution

to the wind in his rush to buy

overseas car manufacturers, and

now we see computers from

America, IBM-style.

At a time when our own Inter-

Utd. Biscuits gets U.S. boost and passes £8m.

ALLOWING the May report that a first quarter had shown substantial improvement, United Biscuits (Holdings) now, in its latest 4th quarter, shows a growth of 9.1m. to £14.6m. and 18.2m. compared to £5.7m. to £8.2m. for the 28 weeks ended July 12.

And for the current period it is hoped to show a "satisfactory improvement" over the second half of last year when profits were £9.4m. although the first half profit of 9.1m. to £14.6m. was forecast. The chairman, Mr. H. Laing, says: "The results have broken all previous records, even allowing for inflation effects, and a substantial part of this increase was come through the U.S. market. While growth in the second half follows, price reductions, volume is down and profitability will remain excellent".

The U.K. also showed significant improvement in conditions, strong competition and declining volume in biscuits and cakes, avoided raw materials price rises beyond present forecasts. K. results should be satisfactory, the chairman states.

Cash raised by the May rights issue and the sale of the French Dutch biscuit interests, together with a strong cash flow from trading, has strengthened considerably the group's financial position.

Earnings per 25p share for the year rose from 2.7p to 4.1p, forecast, and with Treasury consent, the interim dividend is set from 1.875p to 1.41p on a higher capital, and a final of similar rate will be recommended.

Keebler contributed £7.8m. to sales and £4.68m. to profits before tax charges were £10.6m. In 1974, its results are included on the basis of a per cent interest from January to April 24, and 100 per cent thereafter.

The group interest charges totalled £1.03m. (£0.68m.) on a joint borrowing for Keebler, Mr. Laing says severe problems

continue in the Spanish subsidiary, where the trading loss was £750,000 for the half year. He is hopeful that actions taken will begin to show through before the year-end, but it is an "uphill struggle" to get back to profitability.

Investment will be on a worldwide basis and the aim of the fund is capital growth. Shares are on offer until September 30 at 50p, giving an estimated gross yield of 4.67 per cent. The minimum investment is £25. (750 shares).

Second half upturn at Audio

Chambers and Fergus slump: dividend cut

AFTER showing a fall from £149,750 to £137,976 at half-year pre-tax profit of Audio Fidelity, the company has risen from £234,999 to £362,752 for the full year to April 30, 1975.

Turnover was up from £1,839,513 to £2,376,538. Taxation was £6,532 (£16,260).

Earnings per 10p share are given as 2.425p. Earnings are given as 2.425p. Earnings are given as 2.425p. Earnings are given as 2.425p. The directors point out that the new plant was six months late coming, on stream and did not operate during the year. The considerable costs of this delay have been treated as an expense.

The oil business has met difficult market conditions and has traded unprofitably for six months.

Key Energy Fund

Key Fund Managers, a member of the Keyser Ullmann group, has announced the launch of a new

Anglo-Thai outlook

Present indications at the end of the year are that the shares, which values Hethering Anglo-Thai Corporation are at 100 at about £98,000. Mallinson's there could be a downturn in the newest acquisition is the latest profitability during the early part of the year is expected to be a series of the current year, with some of purchases by the company continuing to 1976-77, according to Mr. R. G. Guthrie, chairman, in his annual report.

A turnover turnover was £74.7m. against £55.4m. for the year to March 31, 1975, and pre-tax profit increased from £8.44m. to £12.83m. Dividends are up from an adjusted 1.1633p to 1.2566p net.

The net impact of changes of year-end of certain subsidiaries and the sale of 51 per cent. of the holding, Benthed, the newly-formed company into which the group's Malaysian interests were transferred — leaving 49 per cent. in the accounts — was to increase the profit after tax by about £430,000.

In most areas the upturn in purchasing power overseas continued for the greater part of the year. However, towards the end, inflation and its consequent impact on world trade began to take its toll on some operations, the chairman says.

The acquisition for cash of Grantham Motor Company, which holds Ford franchises in Lincolnshire, is in accordance with the company's policy of diversification.

The group is an "extremely strong liquid position and is well placed to make further acquisitions." Various possibilities are being explored, he adds.

Following a revaluation of certain properties in Singapore during the year, the directors expect the net book value of group freehold and leasehold properties to exceed book value by £2.5m.

Estates House Investment Trust has notified the company that following a scheme of arrangement which became effective on July 21, 1975, it became interested in 9.2m. Ordinary and 67,990 Preference shares in Anglo-Thai.

The report itemises an ex-gratia payment of £2,000 (nil) to a former director and an annuity payment of £20,000 (£17,600) for an executive director.

A statement of source and application of funds shows a decrease in liquid funds of £1.04m. (£10.6m. increase).

Mallinson Denny

William Mallinson and Denny Mott, who two months ago took over North Eastern Timber, has bought C. Hetherington (Timber) of Witton, Cumbria for £66,000.

As reported on September 11 pre-tax profit fell from £414,800 in the first half of 1975, after providing £135,000 for losses on newly formed and acquired companies. The directors are awaiting for the year-end before considering dividend payment.

H. J. BALDWIN

H. J. Baldwin, part of the Hartley Baird group, has disposed of its electric heating element

R-R Motors Holdings midway progress

FOR THE 24 weeks ended June 14, 1975, profits of Rolls-Royce Motor Holdings, have risen £438,500 to £2,16m. and indications are that the full year could better the £4.85m. achieved in 1974.

A matter of continuing concern, says chairman Mr. I. Fraser, is the high rate of U.K. cost inflation compared with that experienced in key overseas markets.

Exports now account for 60 per cent. of car output, with deliveries to North America at record levels. The export performance has reduced the proportion of cars available for the home market, where trade remains satisfactory.

The demand for Eagle automotive engines has dropped because of a general fall-off in the heavy truck market, but an increasing number of industrial engines is being produced and overall the diesel engine side is ahead of last year.

Stated earnings per 25p share for the first half are down from 5.56p to 4.25p and, as of the interim dividend is 1.722p. It was also forecast that the final would be 2p on the increased capital, making a total of 2.85p net per share.

The tax position is still unclear. The U.K. provision, including deferred, has been estimated on the assumption that accumulated losses of Rolls-Royce Ltd. (in voluntary liquidation) will not be available to be carried forward.

Following the rights issue in the year, the net asset value of group freehold and leasehold properties has increased by £2.5m.

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MINING NEWS

General Mining's coal deal hopes

BY LESLIE PARKER, MINING EDITOR

FOLLOWING LAST week's coal licences in the Sheep Creek area conference in London, excitement in Alberta, 60 miles south-west of Calgary, has been aroused in the General Mining camp in South Africa by a reported R50m (£29.8m) export rentals. Colby has until February 28 next year to purchase the deal with British Petroleum for 25,000 tons of coal per annum from 1978 onwards. Richard Reile reports from Johannesburg.

When it is clinched it will be with the 43 per cent-owned Trans-Natal Coal Corporation and will be regarded out there as the first of the new generation coal contracts since last year's oil price crisis. Significantly, it involves the supply of relatively low quality steam coal rather than the so-called metallurgical coal which is to be politically loaded in South Africa because of Iscor's needs.

The contract price potential is put at two or three times the current pithead price of R4.64 a ton and is considered to provide a handsome profit margin with escalation clauses giving the necessary cost protection. Initial capital costs of £1.2m will be R50m (£29.8m), which will be put up by the customer with shipments through Richards Bay. It will be sit on one of Trans-Natal's big blocks of coal rights in the eastern Trans-

For both Trans-Natal and the parent General Mining the deal is considered to mark a move away from the predominantly cost-plus contracts which the group now does with Escom and which provide the bulk of the coal-mining profits.

Aided by higher domestic prices and participation in the Japanese contract for which deliveries begin next year, Trans-Natal is already on a rising earnings trend and the latest deal is expected in Johannesburg to have a significant impact.

The overall verdict on coal shares out there is that is with further deals in the pipeline as well as the probability of another increase in the controlled price of coal, this sector of the stock exchange, currently seen as the slow-over from gold and industrial issues, is likely to show relative strength in the weeks ahead.

COAL FOR COLBY

The president of Vancouver-based Colby Mines, Mr Michael McCormick, says that the company has completed on option over 3,300 acres covering two coal

OAKBRIDGE ALSO LOOKS TO COAL

A pre-tax profit of £3.4m. (£2.65m) is announced by Australia's Oakbridge, formerly Slater Walker Australia for the 18 months to June 30. Coal was the chief contributor to earnings. Dividend is 3 cents making 8 cents (4.85p) for the 18-month period.

The chairman, Mr. Graham Wapp, says that given an early start to the coal-mining industry, presently involved in a serious labour dispute in eastern Australia, and the absence of unforeseen circumstances, 1975-76 should show a further improvement over those for the 18-month period.

Yearly washed coal production has almost doubled to 1.4m. tonnes and agreements have been concluded with Japanese buyers to supply 20m. tonnes of coking and non-coking coal over a 10-year period. Shipments of non-coking coal will start in the first half of next year. Yesterday Oakbridge at 61p gave up 4p of Friday's 8p rise.

IFS AND BUTS FOR NEW WIT.

Providing that gold-mining industry cost increases can be contained and that there is a stable bullion price for the year to June 30 next is in line with that of the previous year, the chairman of South Africa's New Witwatersrand Gold, Mr. A. M. D. Gnodde, foresees in the annual report that dividend payments should be maintained at last year's 20 cents.

Some 80 per cent of the company's portfolio is invested in gold, uranium and mining finance issues.

It is envisaged that there will not be any major non-recurring items of profit during the current year. In the last financial year, as reported in July, the company disposed of mineral rights of a certain portion of farms Dookoek 238 and Zuurhut 240 in the Roodeberg district to Johannesburg Consolidated and Anglo-Transvaal Consolidated for R21.

New Wit has the right to participate in any company formed to exploit any portion of the area concerned dependent on the proportion of ground contributed to the overall area to be exploited. In 1974-75 New Wit increased its net profits from R1.3m. to R3.3m. The shares were 200p in London yesterday.

James Finlay now has an interest in £30,750 Ordinary shares of Teith Holdings.

INTERIM STATEMENT

United Biscuits 1975 Interim Report

Highlights from the Chairman's Statement

- Sales for the first half of 1975 increased by 48% to £215 million, and profits by 87% to £8.2 million.
- A substantial part of this increase has come from Keebler, our partners in the United States; their performance has been and continues to be excellent.
- U.K. results show significant improvement even against declines in volume.
- Our Spanish subsidiary is still trading at a loss, but it is hoped that action taken will begin to show results before the end of the year.

Consolidated Profit Statement for the 28 weeks ended 12th July 1975

28 weeks to 12th July 1975 (Unaudited)			28 weeks to 13th July 1974 (Unaudited)		
Group (including Keebler Co.)	Keebler Co.	Group (including Keebler Co.)	Keebler Co.	Group (including Keebler Co.)	Keebler Co.
£000's	£000's	£000's	£000's	£000's	£000's
326,000	Sales	214,600	78,017	145,404	38,414
19,272	Trading Profit	10,766	4,581	6,744	896
5,467	Interest	2,608	205	2,379	209
13,805	Profit before Taxation	8,158	4,476	4,365	687
7,360	Taxation	4,528	—	2,160	—
6,445	Profit after Taxation	3,630	—	2,205	—
8.3p	Earnings per share	4.4p	—	2.7p	—

Dividends

The directors have declared an interim dividend and intend, in the absence of unforeseen circumstances, to recommend the payment of a final dividend on the ordinary share capital as follows:

	Pence per share
1975	1974
1.414p	1.18715p
1.414p	1.07527p
2.828p	2.26242p
4.3508p	3.42613p

Increase in proposed total dividend over 1974 25%
Increase in 'Gross' equivalent over 1974 27%

H.M. Treasury has given its consent to the proposed level of dividend distribution for 1975.

United Biscuits (Holdings) Limited

Copies of the Interim Report can be obtained from The Secretary, United Biscuits (Holdings) Limited, Syon Lane, Isleworth, Middx. TW7 5NN

Federated Land ahead at halftime

The Financial Times Tuesday September 16 1975

Asset position at Grimshawe

A PRO FORMA balance sheet included with the accounts of Grimshawe Holdings, the Leeds-based concern which has been much reshaped, shows that, allowing for completion of the subsequent sale of the industrial division, net assets would have been £583,000, against the £549,000 audited figure shown.

Fixed assets fell to £1.6m, compared with £1.8m, and there are considerable downward adjustments in stocks and debtors, though cash resources are well up, to £227,000. Repayment of debt with the cash being generated by the disposal is reflected in the elimination of £231,000 of secured short-term loans and the reduction in secured overdrafts to £97,000 from £1.3m.

Revenues of the company, which in 1974-75 fell to £205,000 in the year to June 30, 1975-76, are reported to have been £218,000 in the year to June 30, 1975-76.

The industrial division is being sold with effect from dates between June 28, 1975, and March 1, 1976.

In his annual report, the new chairman, Mr. Thomas Kenny, notes that a lot of land is owned by the group in the Middle East.

The shareholders will soon be much reduced, but "there is a long way to go yet," he adds. Mr. Kenny also states that, as they look forward to the continuance of the financial support received over the past year, it is appropriate that the account should be presented in a condensed form.

In their audited report, Robson

and Rostron point out, for their part, that the accounts have been prepared on a going concern basis on the footing of the continuance of the financial support referred to by the chairman.

They also note that there are included in current assets properties held for development, with a value of £46,000, loans of £99,000 and investments of £200,000 and £302,000, stated at their net realisable value.

"Whilst we accept that the directors believe these estimates to be reasonable, we are unable to justify ourselves in the present market conditions that these assets are stated at current realisable values and, accordingly, the figures for the year are neither understated nor overstated," the auditors add.

A spin-off of the overseas interests, profit shares, in Australia, £211,515, and France £16,100, were sold.

Mr. Douglas reports that divisions in the group have contributed to the increased turnover—from £45,780

to £55,247, and to the further

increases in salaries and other items of non-productive expenditure in overheads, a major increase in a

recent year, was due to the aggregation of a number of larger projects, concurrently, and the high progress demanded on projects.

It is proposed to change the company's name to 'Ro

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October 8 at no

Chairman's statement

for this the amount of £1

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INTERNATIONAL COMPANY NEWS + EURO MARKETS

British Sidac the main black spot in UCB loss

By DAVID CURRY

THE BELGIAN chemical company Union Chimique Belge (UCB) took a sharp tumble in the first half of this year when its pre-tax profit of B.Frs.305m. (£4.48m.) earned in the first half of 1974 were turned into a suffered, though more patchily, loss in the first six months of 1975. The company activity of the group, has been notes that taxes assessed on boosted by the successful sales of the drug Nootropil.

The main black in the group is still the British Sidac company whose results were even more depressed, with last year's pre-tax profit of B.Frs.15m. (£1.15m.) slumping to a loss of B.Frs.42m. (£3.15m.).

Parent company sales were down in the first year from B.Frs.4.35bn. (£35.4m.) to B.Frs.3.85bn. while after-tax earnings were reduced from B.Frs.15m. to B.Frs.12m. These figures lead unions concerned. Italian operations have also been a burden on the group in the half year. Generally, the group has suffered harder in its cellulose and plastic films sector, an area in which the group has important expansion plans. It notes that the decline in private consumption has badly hurt the plastic packaging divisions, while the concern clocked in with net earnings of B.Frs.31m.

Squeeze on Brown Boveri

By GUY HAWTHORN

FRANKFURT, Sept. 15. — BROWN BOVERI, the Mannheim-based West German associate of the Swiss electrical group, pushed up both turnover and orders in the first half of the current year. Profits, however, flagged, hit by rising personnel and raw materials costs.

In its interim report, the group states that first half external turnover rose to DM1.28bn. This was an increase of 6 per cent over the previous year. Home turnover went up by 3 per cent while overseas turnover gained 13 per cent to DM350m.

A break-down of figures, however, shows that growth came in the plant sector where turnover was up by 24 per cent. For the whole year, the group forecast a nominal turnover increase of 10 per cent in the plant sector.

Orders in the first half rose even faster than turnover. Incoming orders totalled DM2.4bn., 38 per cent up on the opening six months of last year. The group commented that the massive increase was due to the growth of overseas orders for plant.

Stripped of the foreign content, incoming orders rose by some 18 per cent. There was the report, a higher order rate from West German sources in June, but it adds that this was probably due to other industries' experiences, as the Government's investment incentives scheme expired on June 30.

In the mass production sector, however, orders, both domestic and foreign, remained very weak. The inflow of orders in this area were some 22 per cent below the level at the end of the first half of 1974.

Be that as it may, the order flow considerably exceeded turnover and the group's profit at the end of the first six months showed a further increase. However, this was not reflected in the capacity utilization in the mass production sector and throughout the report

Boom at Magirus Deutz

By GUY HAWTHORN

FRANKFURT, Sept. 15. — ALTHOUGH West German motor car exports are generally in the doldrums, the nation's commercial vehicle manufacturers have been reporting booming overseas sales. None more so than Magirus-Deutz, the heavy vehicle builders, which in the first eight months of this year has already overtaken last year's turnover figure.

Dr. Heinz W. Hahn, the company's chief executive, aptly chose the Frankfurt International Motor Show to announce that by the end of August, Magirus-Deutz turnover had exceeded DM1.06bn. By the year end, he said, turnover was expected to reach DM1.1bn.

Magirus, which is jointly owned by Klockner-Humboldt-Deutz and Fiat, has achieved its growth largely as a result of vastly increased export sales. By the end of the year, demand is forecast to increase by about 40 per cent, while turnover is estimated to rise by about 60 per cent.

The concern has already received an important order this year in the mass production sector and throughout the report

increased in advance payments by customers. This, together with the capital increase, meant that sufficient liquid resources were to hand.

Earnings in the first half had been adversely influenced by rising personnel costs and increased prices of materials. At the half-way stage it stood at 39,200 persons. But pay settlements pushed up personnel costs by around 9.5 per cent.

The group estimated that in the second half of 1975 would reach the same level as in the previous year. In the first phase, spending would be on rationalisation and supplementary savings measures. On a consolidated basis, capital investment would total about DM180m. for the year.

On the financial front, the report commented that the increase in orders had led to an reasonable borders.

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FINANCIAL TIMES SURVEY

Tuesday September 16 1975

JULY 1975

PAPUA NEW GUINEA

As Papua New Guinea achieves independence to-day, there are still some serious problems to be solved, particularly that of the attempted breakaway of Bougainville. But the country is well prepared for its new status and current policies have a fair chance of succeeding

PAPUA NEW GUINEA to-day is a republic, though within the Commonwealth, and the member of the Commonwealth, choice of constitutional route in that the monarchy was entirely that of constitutional power has been not the constitution-makers. The making of the constitution will have High Commissioners in Canberra, Wellington and Suva, and possibly Tokyo—no diplomatic establishment in London. The new State also scores first. Mr. Tom Critchley, a to-day leaves Government use for newly-built Australian High Commission offices in Waigani, came as High Commissioner (not, like his predecessors, as administrator) 16 months ago. In his view there has never been a more independent dependency than Papua New Guinea in the past year, during which, among other things, it assumed responsibility for its foreign relations and defence.

A less welcome distinction is that Papua New Guinea is to deal with a secession by copper-rich Bougainville, in the very month of its constitutional birth as a nation. The problems arising from that will loom large in Port Moresby to-day. But they do express more strongly than kill the celebrations, or in radical circles, where it is clear out an already important matter for regret in nation-building, and disgust.

It was not a foregone conclusion that the constitution would be Head of State. The constitution has been made by the 100-member House of Assembly (sitting as a Constituent Assembly) elected in 1972 and which for a time did not pose on Papua New Guineans by their colonial masters. The Australian United Party, now led by Mr. Peter Abel, which had opposed the Somare, was to be found.

Australian policy of early independence, failed to gain an overall majority at the elections and has formed the parliamentary opposition ever since.

Mr. Somare's Pangu Party, on the other hand, campaigned vigorously on an independence platform and has headed a coalition embracing some of the most radical elements in the country's political life.

However, the driving force of

This can be said to have cleared the air. In a sense that is so. However, it is unfortunately also true that the polarisation which occurred in the long and often acrimonious constitutional wrangle is the opposite of what must have been intended when the proceedings were inaugurated.

Making of the constitution has revealed divisions in place of cementing national unity.

None of this may seem to suggest that the gest is a deep, popular or ideological issue. However (and alists were routed, to the extent of all members of the House question, which is discussed and all others who have lived elsewhere in this survey), in the Papua New Guinea for eight years are eligible (they have two months to renounce foreign citizenship).

The ultimate decision does not remain there are important regional loyalties in a country of 700 languages and limit the cost of maintaining the telecommunications. Centralism of regional government will operate under a strain for the foreseeable future. Moreover, the few Leftists, anarchists and country's means. However, the few Leftists, anarchists and

inhabitants out of the total population of 2.7m. Here the national constitution cannot be changed by a two-thirds majority apart from the Bougainville that all mixed race inhabitants of all members of the House question, which is discussed and all others who have lived elsewhere in this survey), in the Papua New Guinea for eight years are eligible (they have two months to renounce foreign citizenship).

There are no doubt overtones of racism, mainly resentment at the Australian and Chinese minorities, which are not completely removed by the ultimate result.

However, this could give the wrong impression. The foreign visitor to Papua New Guinea is immediately struck by the lack of starchiness in the reception accorded him at all levels of community life. The modern sector (so-called by government) is notably free of the hang-ups of many other ex-colonial societies, which is no doubt a tribute to the Australians who shaped it.

Dedicated

There are many criticisms of

BASIC STATISTICS	
Area	600 islands 179,600 sq. miles
Population	2.7m.
Languages	English, Pidgin, Motu
GDP (1973-74)	K1bn.
(1974-75)	K225m.
Trade	K403m.
Imports (1974-75)	K428m.
Exports (1974-75)	K3.1m.
Imports from U.K.	(1974) £1.2m.
Exports to U.K.	£19.3m.
Currency: Kina	£1 = K1.65 (equivalent to \$A)

citizen, being that it is as impossible, as in Canberra, to manage without a motor car in Port Moresby—the difference being, of course, that 95 per cent. of Papua New Guineans may not be able to afford a car for the next 100 years. Car ownership is in danger of becoming the great dividing line between the haves and have-nots, which is not at all the situation in most of Asia, in which cars are for the most part luxuries it is entirely possible to do without.

The transport problem (lack of buses and taxis) is greatly aggravated by Port Moresby's extensive sprawl. This partly reflects healthy respect for traditional land rights, but in

Australians as have bequeathed to the modern sector several attributes that are obviously better suited to the conditions at home from Konedobu near the sea, to Waigani inland).

Some parts of the relaxed

CONTINUED ON NEXT PAGE

Rise to nationhood

This Survey was written by PETER DUMINY

radicalism in such situations is as much as it can. But no less validly, Papua New Guinea must be seen to have opted consciously and comprehensively for gradualism and non-radical solutions to its expected problems as a nation State.

This feeling is nowhere more strongly than in the independence of the radicals, or in radical circles, where it is clear out an already important matter for regret in nation-building, and disgust.

It was not a foregone conclusion that the constitution would be Head of State. The constitution has been made by the 100-member House of Assembly (sitting as a Constituent Assembly) elected in 1972 and which for a time did not pose on Papua New Guineans by their colonial masters. The Australian United Party, now led by Mr. Peter Abel, which had opposed the Somare, was to be found.

This does not seem to make economics was not the basis of other ideological critics of Mr. Somare's style of government, for the argument on either side.

The main champion of together with a somewhat larger number of opportunists, have John Momis, of Bougainville, been eager advocates of splitting the House of Assembly and leading light in will shoulder on.

Probably the biggest has been the question of decentralisation of power through creation of provincial governments and assemblies. The constituent assembly almost decided to entrench about 20 such regional authorities in the constitution, but finally dropped the idea on Mr. Somare's initiative. This means, for example, that while provincial administrations can still be set up (and the one that has been established on Bougainville can remain in autonomy (the interim provincial assembly had just demanded not easily resolved concerned K150m. to cover the cost of its citizenship rights of the approximately 40,000 non-indigenous in-

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BUILDING PAPUA NEW GUINEA TO NATIONHOOD

By the Prime Minister, The Hon. Michael Somare

By good fortune I have travelled to many countries. I have seen teeming cities, massive factories, and the most impressive technological advances. Because of the location of governments, hotels, and airports, often I have tended to see the industrial hearts of nations; I have found these places exciting and full of opportunity, but also I have noticed that they are beset with a mass of problems unknown to Papua New Guinea.

These problems have helped me to envisage the type of society I would like to see built in Papua New Guinea, and which I worked towards whilst I was Chief Minister. I start with the premise that for the foreseeable future, Papua New Guinea should remain what it is now, primarily a rural country. About nine out of every ten people live in villages, and there is no landless class in Papua New Guinea. I think the village should remain the most important community unit.

This does not mean keeping the village as it is or re-establishing village life as it was before the coming of the white man. We must change village life for the better, so as to offer opportunity and contentment to every villager. Of course, whether or not a particular change will be seen as an improvement depends on village and individual values, and what one person may see as improvement another may consider disruption. But Papua New Guineans are pragmatic, and a thing will be regarded as an improvement, firstly if it has a practical use, and secondly if it supports or strengthens the village community.

If a tool or a commodity or a service has a clear practical use in assisting the villager's relationship with the environment then it will quickly become an integral part of village life. I would point to such things as the steel axe (a great labour saving device when compared to the stone axe), the aluminium saucepan, cups and plates, the bush-knife, the kerosene lantern, the outboard motor, in river districts or coastal areas, tinned fish, and aidpost services. Most of these things are substitute tools to perform everyday village tasks, and their utility lies in the time and labour they save. But also by doing this they add to the contentment of village life, and so may preserve or strengthen the village community. We may judge useful any tool, commodity or service which performs similar functions in these changing times.

My Government has already adopted a working model designed to guide Papua New Guineans life towards our objectives. This is the Eight Point Improvement Plan.

THE EIGHT-POINT IMPROVEMENT PLAN

- (1) A rapid increase in the proportion of the economy under the control of Papua New Guinea individuals and groups, and in the proportion of personal and property income that goes to Papua New Guineans;
- (2) More equal distribution of economic benefits, including movement toward equalisation of incomes among people and toward equalisation of services among different areas of the country;
- (3) Decentralisation of economic activity, planning, and government spending, with emphasis on agricultural development, village industry, better internal trade, and more spending channelled through local and area bodies;
- (4) An emphasis on small-scale artisan, service and business activity, relying where possible on typically Papua New Guinean forms of organisation;
- (5) A more self-reliant economy, less dependent for its needs on imported goods and services and better able to meet the needs of its people through local production;
- (6) An increasing capacity for meeting government spending needs from locally raised revenue;
- (7) A rapid increase in the active and equal participation of women in all types of economic and social activity; and
- (8) Government control and involvement in those sectors of the economy where control is necessary to assure the desired kind of development.

The important principles behind this plan are equality, self-reliance and rural development. We are now considering the detailed application of these principles to matters such as health, education, the village economy, transport, local government, and so on, but clearly our programme will be expensive. We will have to improve our internal tax base, increase our credit worthiness for international loans, I hope continue to receive substantial aid from Australia, and attract aid from elsewhere. Australia's recent announcement that she will give at least \$500 million in economic and social aid over the next three years is a tremendous boost to our capacity to make significant progress in village improvement.

At the same time Papua New Guinea sees a need for foreign investment, and although we have a selective foreign investment policy, we want to create conditions which will interest overseas investors in those areas in which their participation would be welcomed. Such investment would naturally benefit both the investors and the country.

Yet I am less worried about funds that I am about the necessary skilled personnel. It is useless having money to build aerial ropeways and the like if there are not enough civil engineers to supervise their construction. Overseas press have in the past uttered dire predictions of calamity in Papua New Guinea, and these are puzzling to people in my country. Perhaps such opinions arise from the feeling of novelty and uncertainty brought on by the change to self-government; perhaps they come from the recollection of past events in parts of Africa. I do not think they follow from any

realistic appraisal of Papua New Guinea's actual situation, but whatever the motives of these prophets of doom, my government must try to counter their influence, because we need skilled expatriates, and we want to ensure that those who come enjoy their stay.

Not everything I have mentioned lies in the hopes of the future. Already there has been considerable progress. The proportion of the national income going to Papua New Guineans has increased substantially. More and more expatriate businessmen see the wisdom and the benefit of taking in local equity. More and more of our people and our friends turn to consider the problems of village development. Of course in many cases our decision has been to protect local business: for example, the House of Assembly a year ago passed legislation that restricts coffee buying to Papua New Guineans. This trend of progressively reserving areas of the economy for ourselves will continue.

As well, this year a bigger proportion of the National Income has been allocated to The Rural Improvement Programme. This covers a whole range of village projects, from roads and bridges to aidposts, water wells, and piggeries. The projects are put forward by Local Government Councils in each area, and then become a combined effort—the village people offering free or nominal wage labour, the council using some of its tax money, and the central Government assisting with a subsidy. It is fair to say that almost all demands for feasible projects have been met.

OUR ATTITUDE TO TWO BROAD AREAS OF POTENTIAL INVESTMENT: NATURAL RESOURCES, AND SECONDARY INDUSTRY

Papua New Guinea is rich in natural resources. We have large deposits of valuable minerals, millions of super feet of commercial timber, potentially valuable oil and gas reserves while rich fishing grounds surround our island. These valuable resources provide the basis for many of our development plans. We will make sure that our resources are exploited in a way that contributes to our own goals and needs.

Our most important basic principle is that these resources belong to the people of Papua New Guinea. It is up to our people, through their government, to choose how and when these resources are to be developed. In some of these industries we already have many Papua New Guineans who can do the work required, but we still need foreign corporations to supply the capital and overall management and marketing knowledge. In other industries, such as mining, and oil and gas production, we have few trained people, and we may choose that foreign companies should assist while training our citizens.

But we will keep control of the way in which our resources are developed. We also intend to be sure that resource development does not create a small privileged class of Papua New Guineans.

We want the benefits to go to the mass of the people. For this reason, there will be increasing emphasis on taxation of resource projects so that the benefits can be redistributed to the people through Government projects. There will also be increasing emphasis on Government ownership of resource ventures, in partnership with foreign corporations.

I believe we must also ensure that, whenever conditions beyond the control of either the Government or the resource company result in spectacular windfall profits, the lion's share of these profits will be kept within Papua New Guinea. I recognise that foreign companies often take risks in resource development projects, and it is not intended to remove all possibility of profit. But I do believe that foreign companies should be satisfied with a reasonable return on their investments, and should not claim absolute right to gigantic profits that are really produced by the earth and water of Papua New Guinea.

In the field of secondary industry, we want investors who will help us to step up those industries we need to achieve our development aims. For example, we will be seeking manufacturing industries that will process our agricultural products, so that a greater share of their final value can be retained inside Papua New Guinea. We are anxious to become more self-reliant by producing the things we need in our own country. I would, however, point out that there are limits in our desire to attract manufacturing industry, and that we will be looking carefully at the costs and benefits of any proposals. We do not want to create industrial employment for its own sake. My Government has adopted a general policy of incomes stability, but we do not want a reduction in the real standard of living of people in the towns. Similarly, our national eight-point improvement plan calls for a greater equality of incomes, and greater equality of services between the urban and rural areas. We cannot take away from people what they already have. These facts of life, and these policies, do not mean that we are shutting the door on export-oriented, labour-intensive industries. We will welcome any proposals that are realistic to our circumstances. But they do mean that we cannot pursue the kind of development strategy based on very cheap labour along south-east Asian lines which has often been urged upon us.

PAPUA NEW GUINEAN PRIDE

As I see it most people in Papua New Guinea work hard, live decently, and are proud of our traditions and our way of life. We are ordinary people trying to preserve what is best in our way of life and attempting to solve our own problems.

At the same time we have to deal with pressures from the outside world to change our values and traditions. We will absorb these pressures by working out our own solutions to our problems.

Government Building, Waigani, P.N.G.

PAPUA NEW GUINEA IV

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General Manager:—
Mr. E. D. Cleland

Address:—
P.O. Box No. 2,
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PAPUA NEW GUINEA

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Bougainville copper

THE EXISTENCE of a large tons of ore a day. Total capital shareholders had been led to copper mine at Panguna, requirements including K145m, expect when they subscribed to Bougainville, is not the only spent on infrastructure, had equity of K134m, and more reason why the leaders of been K400m, much the largest than management itself had Bougainville want the island to injection of capital ever experienced from Papua New Guinea (some others have already been canvassed). Nor is copper the only reason why the national government in Port Moresby wants Bougainville to stay in.

However, there is no gainsaying that Bougainville Copper (BCL) significantly colours attitudes on both sides, and that, no matter how hard the mine's owners and managers try to make themselves invisible, they are unavoidably playing a role in the resolution of the conflict.

BCL cannot but loom large. The mine was destined to be big from the moment the Bougainville orebody, a 1bn-ton basin of porphyry copper stretching over 368 hectares and 300 metres deep, was discovered by geologists of the Conzinc Rio Tinto of Australia group in 1964.

From financial and technical points of view, the main challenge was the relatively low grade of the ore, averaging 0.48 per cent copper. This called for a large-scale operation, and thus massive capital outlay.

These were forthcoming. When commercial production began in April 1972, the mine was equipped to handle 80,000

Whatever the future holds, to date BCL has more than lived up to its promoters' expectations. The construction phase, which included the building of crushing mills, a concentrator, a 26 km pipeline and port handling facilities was completed in 33 months, ahead of schedule. In the next 33 months (to end-1974), the company excavated 158m tons of earth and rock, milled 81m tons of ore and produced 481,000 tons of copper (which was shipped in the form of 1.7m tons of concentrate).

While 1972 was a bad time for copper on world markets, the next two years were exceptionally good, giving aggregate pretax profits of K366m, and allowing BCL to pay K165m in dividends in the first three years.

This was vastly more than

the company's peak of 20 per cent of the capital (if the cap of the new government paid for its shares in full), or that it had succeeded in an long-term loans exceeding K25m, (the balance reflected in the books prior to the Australian/Papua New Guinean revaluation in December 1972). This has been reflected in the fact that BCL was soon able to anticipate repayment dates.

Fruition

The backers thus rewarded the entrepreneurs who had brought the project to fruition meaning Rio-Tinto-Zinc, which owns 81 per cent of CRA which in turn holds 53.6 per cent of BCL.

Apart from the individual entitlement, CRA to all intents and purposes has the management contract, no doubt valuable. Until recently, administration was divided between Panguna and Melbourne, but now all head office functions are being transferred to Bougainville, with only the chairman

Mr. F. F. Espie, remaining in Australia.

Next largest beneficiary was the Papuan New Guinean administration, initially under agreements negotiated prior to self-government (in 1967).

These gave the company a tax article dealing generally with the credit side of the Government capital. It was an important feature that BCL was permitted to subscribe to the new capital (if the cap of the new government paid for its shares in full), or that it had succeeded in an K33m. From the first 33 months generally satisfied domestic operations. It was also the opinion that the international entitled to royalties at the rate of 1.25 per cent on sales (net company) of transport and some other costs, thus K7.8m from be that 1974 will prove to be the peak of K625m in this period.

However, one consequence of BCL's flying start was that the Papua New Guinean Government, seen copper prices declining by then in full control of its then and Japanese buyers, domestic affairs, decided the original tax terms had been too generous and invited the company to renegotiate.

In the circumstances there was, indeed, no much case for refusing. The result, which was finally approved by BCL shareholders last December, cut short the tax holiday, retrospectively to the beginning of 1974, introduced an excess profits tax and modified the depreciation provisions.

The resulting formula, which promptly generated K68.5m of tax revenue in respect of last year's operations, is considered the blueprint for all future exploitation of Papua New Guinean minerals, and is therefore described more fully in the

top. Current results are to show values down to 61 per cent, which means less a millling rates may have maintained, or would have but for the two or three employee rioting in May, around-the-clock operations disrupted for the first

Reasons for the disturbance one possibility is that implementation of government's minimum wage legislation increased highly paid workers while their differentials being wh

down.

Problems and all, and the managing director, Mr. Vernon (he took over on 17), has plenty. BCL remains valuable property. No

that is how it will emerge from the present political crisis.

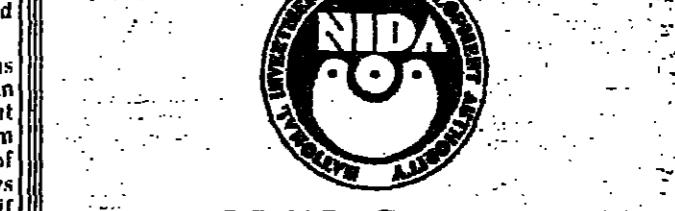
However, there is the of getting through it. The company's attitude is that absolutely bound by its

ments with Papua New G

It has no doubt of the of the Australian Government and general

that it should scrupulously honour these contract

addition it considers Bougainville's own long-term interests are not served by secession.



NATIONAL INVESTMENT AND DEVELOPMENT AUTHORITY

The Government of Papua New Guinea recognises the need for foreign investment in a number of sectors and industries. The provision of venture capital, technical skills, management expertise and access to overseas markets through the participation of foreign investors is still required in the achievement of national goals. At the same time, however, the Government wishes to ensure that foreign investment is channelled into those industries where it is most needed, and in a form which provides the greatest benefit to the country and its people.

In December 1974, the National Investment and Development Authority (NIDA) was established as the body responsible for co-ordinating all of the Government's relations with foreign investors. NIDA should be the first point of contact for any foreign investor. All investors must seek registration with NIDA prior to initiating activities in Papua New Guinea.

For further information, please write to:

The Executive Director
National Investment and Development Authority
P.O. Box 5053
Boroko
Papua New Guinea

DEPARTMENT OF POSTS & TELEGRAPHS

Headquarters, Port Moresby. Telex 22119. Tel. 24 2261

A policy for development

HERE a self-governing Papua assumption that investors' new Guinea first gave thought to interests and those of the nation's foreign capital, the thought are so strong and complex as about how to control it, memory in some spheres that this PNG was no doubt investment is bound to be forth influenced by the mood of coming and need have no fears of economic nationalism sweeping about fair treatment of Australia, and the same fears. This underlies the resources of foreign investors' could not development policy. It is payment of 1.25 per cent of the Government still has 20 per cent of the equity (it sought no more), for which it paid and from which it derived dividends of K14.7m. last year.

Second, there is a royalty of 1.25 per cent of sales (K3.5m. last year) which is further complication that Guineans needs the revenue, both investment had come from a fiscal and foreign exchange point of view (though that political prejudices mostly the former). Foreign resource that will yield such benefits is therefore keenly sought, not only to exploit the resource but preferably also to create the necessary infrastructure.

Officials explain that there are three basic guidelines governing the terms Papua New Guinea will seek to negotiate. These are (1) that the resources are ultimately owned by the people and therefore that Government wants to be a partner in all big development projects (but only wants enough of the equity to ensure a seat on the board, not so much that it bears "major management responsibilities"); (2) that the lion's share of any windfall gains would go to the Government; and (3) that the investor must get a fair return, meaning not merely that he will be satisfied, but more particularly that future projects (not necessarily involving the same investors) will materialise.

The corollary is that Government will maximise its revenue, both in the medium and long runs.

This clearly suggests Port Moresby would like a string of mining agreements similar to that negotiated with Bougainville Copper last year (and in

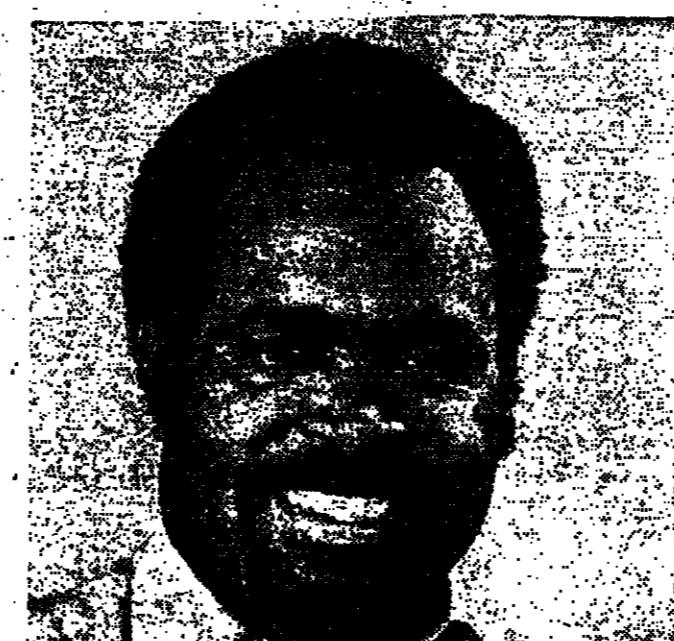
Present thinking rests on the

operation since December 23). The terms of this are, first, that the Government still has 20 per cent of the equity (it sought no more), for which it paid and from which it derived dividends of K14.7m. last year.

Second, there is a royalty of 1.25 per cent of sales (K3.5m. last year) which is further complication that Guineans needs the revenue, both investment had come from a fiscal and foreign exchange point of view (though that political prejudices mostly the former). Foreign resource that will yield such benefits is therefore keenly sought, not only to exploit the resource but preferably also to create the necessary infrastructure.

Third, the tax formula is designed to ensure that Government gets most of any profits which could be considered abnormally large. Bougainville's direct tax contribution last year was K66.5m., yielded by normal company tax (33.3 per cent) on profits equivalent to a return of 15 per cent on capital invested (K87m. last year), and an excess profits tax of 70 per cent on earnings over and above that level. The exact formula is more complicated, and last year included a concessional rate for six months, but this is the gist of it.

Fourth, the mine's tax holiday was abolished. Fifthly, Government also drew K8.8m. from its 15 per cent dividend withholding tax payable by non-resident shareholders.



Prime Minister Michael Somare.

These arrangements are believed to have had the full support of the Papau New Guinea investors, who will want to be given the "guarantee" that they will be allowed to remit earnings and capital "subject to the conditions under which they are permitted to operate, so much so that it is willing to offer guarantees covering such matters as maximum levels of normal company tax and withholding tax payable by the enterprise over several years."

Officials stress that the Bougainville renegotiation was a

vestment become progressively oil palm cultivation). A reserved list specifies activities in which they are in Singapore, Mauritius and many other developing countries, and can hope for national exchequer diminish. foreign businesses may not guarantee of non-discrimination and, in suitable cases, of exemption from any future exchange control.

That would very likely happen when Papua New Guineans realise fully what their needs are. It could be so even if industrial development is concentrated in enclaves, so as to preserve traditional ways of life as far as possible. However, enclaves are probably a nonsense, for the very good reason that they do not represent what the people themselves want (and almost every politician will be trying to attract investment to his own area).

The basis has been laid for Papua New Guinea to follow the usual (and often successful) post-colonial route to increases in its national income, driven by the engine of foreign capital, even though the objective is nowhere spelt out in all the plans, aims and guidelines. The alternative is that it may

also, it is not particularly reassuring to a foreign investor to be given the "guarantee" that he will be allowed to remit earnings and capital "subject to the conditions under which they are permitted to operate, so much so that it is willing to offer guarantees covering such matters as maximum levels of normal company tax and withholding tax payable by the enterprise over several years."

The first priorities schedule includes (for foreign investment) such manufacturing activities as fish canning, cement production and all stages of palm oil production (including

own infrastructure if services are not already available).

Also, it is not particularly reassuring to a foreign investor to be given the "guarantee" that he will be allowed to remit earnings and capital "subject to the conditions under which they are permitted to operate, so much so that it is willing to offer guarantees covering such matters as maximum levels of normal company tax and withholding tax payable by the enterprise over several years."

But it is early days. If the new round and attempt to squeeze the last drop out of existing policies do not bring results, it seems safe to say that they will be changed. On the present indications that will bring new foreign investment. That would be extremely short-sighted.

The trading pattern

FOREIGN TRADE looms large of a useful oilfield or large-scale

expansion of natural gas (each alement of 70 per cent of gross of which is at this stage no domestic product. Traditionally more than possibility).

Imports predominated, no doubt, reflecting the fact that timber, but this only accounts for around 3.5 per cent of modern economy represented by the fringe, not the main body of exports at present, so that national life. On the whole, progress will have to be made to be spectacular to make any

secondary industries (with implications, the main ones being beer and cigarettes) and the purpose of imports was to

disty the wants of the expatriate population.

Roughly, they were balanced at the moment of these same

labours as producers of gold, own timber and copra, and (in the case of the colonial administration, among others) as takers of Australian salaries.

The exact trade and payments situation was masked by the currency union with Australia, so a long-term deficit was no doubt more than covered by Australian aid needed to finance the local budgets.

Surpluses

Most of this has changed in the past three years. Copper is transformed the export

performance, giving Papua New Guinea its first ever trade surplus. The composition of exports is dramatically altered, the currency union is being

soaked.

The direction of external trade is also radically changed. On the previous overwhelming dependence on Australia, both supplies and as a market, Japan is now Papua New Guinea's main trading partner, counting for 25 per cent of the two-way trade and a larger portion of exports. Australia comes second with 27 per cent exports, but as a supplier is being declining in absolute as well as relative terms. Britain has also faded; though for a longer period of time, it now appears to have only per cent of the market from per cent a decade ago.

Australia is still much the

largest supplier, followed by Japan (which is catching up).

The other up-and-comers are

Singapore and Hong Kong,

major buyers of Papua New Guinea products. West Germany

the other large newcomer,

Japan, it is mainly a customer for copper.

Copper (the Bougainville

mine) now provides more than

one-third in 1973/74 when

upper prices were exceptionally high). This promises to be

long-term feature of Papua

New Guinea's external trade, in

one of the two or three other

upper deposits which are com-

mercial propositions and seem

likely to be phased in ahead of

her mineral ventures. The increase of imports becomes

the thing that could upset this apparent, and proves to be less

reduction in the next decade, than the 7.6 per cent indicated

in the preliminary statistics for

1974, probably be the discovery last year.

More Jumbo departures to Australia than any other airline.

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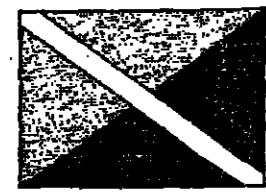
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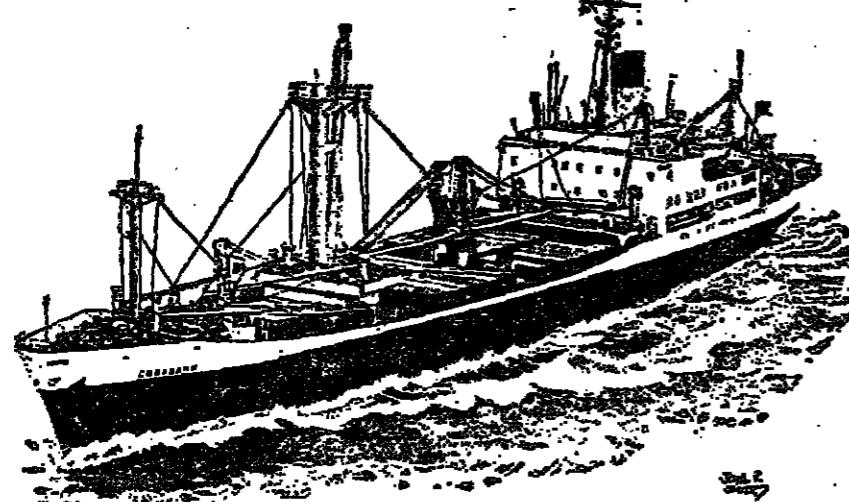
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The House of Assembly in session.

Foreign investment

MOST of Papua New Guinea's minds about investing largely in capital stock has come from on the criterion of (after tax) Australia, but in future most of profits that ventures look like its foreign capital will probably yield.

Japan already features in incomparably the largest some ventures, including fishing investment has been the K400m in the Bismarck Sea spent by Bougainville Copper (within the 12-mile limit). But this has by no means been following surveys done in 1970—the only significant injection of 1971. Four companies have foreign capital in the past concessions and are recorded as having exported 40,000 tons

Net foreign investment has exceeded K650m, in the past ten years and been responsible for most additions to economic activity in the private sector.

While no precise figures are fishing rights were carelessly available, it is certain that past signed away. For instance investment has been over-Government has had no method overwhelmingly Australian. How of checking on the activities of ever, there was a marked the fees, each served by change in capital sources in a mothership, and the hoped-for shore-based operations 1972-73, when Australians actually drew K4.3m, more out of seem no nearer than they were when contracts were concluded.

In the past year a start has been made in setting up a fisheries inspection service to monitor the quality and quantity of catches, but honour will probably not be satisfied until someday the agreements are renegotiated.

Timber attracted Japanese interest from the moment it was decided to go for large-scale operations (the groundwork for this was done in 1968-1971).

First in was Honshu Paper (in August 1971), with a 53,000 ha concession near Madang. Then in June 1973 the 183,000 ha forest surrounding Open Bay, New Britain, was awarded to a consortium of Sobbu (a subsidiary of Heiwa Sogo Bank), Theiss Bros. of Australia and the Government. The Japanese partner has 70 per cent.

The basic formula is that the concessionaire puts up a sawmill, a chip mill and a veneer mill. As the land is cleared it reverts to its traditional owners.

As in the case of fishing, these original contracts now seem too loosely framed. Among other matters it is claimed that two-thirds of logs have been exported as such, with no local processing. Also, no enforceable provision was made for reforestation, though it was envisaged that Government and concessionary would come to some arrangement about it.

Five more projects are now in the pipeline involving more than 1m. ha. The first, at Sagar-Gadai, has already had

Cabinet approval and involves a Hongkong-Singapore partnership. The others ventures are shaping up to be Japanese (Nissbo Iwai) at Kapura, Australian (Conzinc Riotinto of Australia and two partners) at Kusumi, Korean (either Hyundai Construction or Dong Wha) at Papukul, and American (Parsons and Whitmore) at Vanimo, the biggest (261,000 ha).

The basic contract now gives a 5-year quota for unprocessed logs exports, which is intended to generate cash flow for the investor and to facilitate initial clearing operations. However it seems that a permit to start felling may be withheld after contracts have been signed, until Government has approved the company's working plans, including a replanting scheme.

Replanting is not a simple matter because it requires agreement of the landowners, and means that the land will have to be set aside for 25 years. The Government plans to have a majority stake in the second crop, and may need to acquire the land from the local villagers to launch the scheme at all. However the official mood is that timber resources must be renewed, and this feeling will no doubt grow stronger as natural forests proceed to disappear.

Each venture is reckoned to involve an investment of about K20m., including access roads and port facilities. There are hopes of a pulp mill in future, though this would raise the capital cost of a project to about K300m. Papua New Guineans have been told their hardwoods are unsuitable for fine papers, but have a healthy suspicion that investors who make such

statements have a vested interest in making the product appear less valuable than it really is.

Underground, foreign capital has yielded finds of number of minerals, but principally copper. Kennecott spent K10m. in the Ok Tedi area, close to the western border, in 1968-71, and established reserves of 250m. tons averaging 0.9 per cent copper. Gold and molybdenum would also be recoverable. However the company dropped out in the past year and the property is now held by the Government (through a vehicle called Ok Tedi Development Company) which is continuing field work and looking for somebody else to take over the major share. The snag is the area is inaccessible and about K250m. will have to be spent on essential infrastructure.

After three years of talking to Government about mining conditions, Kennecott finally balked at a couple of provisions from which Government would not retreat (including an excess profits tax which both sides apparently agreed would be imposed on mining profits). The Japanese consortium is feasibility study which will be needed for a commercial field, which is why a 17-member Japanese consortium and the entire project has been allowed to drill a yield 3,000 megawatts, minimum of three and possibly much the world's biggest mine wells at cost of K20m. scheme.

The latest development is that three times these reserves are being considered for a commercial field, which is why a 17-member Japanese consortium and the entire project has been allowed to drill a yield 3,000 megawatts, minimum of three and possibly much the world's biggest mine wells at cost of K20m. scheme.

The Japanese consortium is feasibility study which

is known locally as PNG Petroleum

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sides apparently agreed would

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Equity markets shrug off early bout of uncertainty

Index up 3.3 at 321.8, after 316.6—Gilt's improve

Account Dealing Dates

Option
*First Declara- Last Account
Dealing Days

Aug. 22 Sep. 4 Sep. 5 Sep. 16

Sep. 8 Sep. 18 Sep. 19 Sep. 30

Sep. 22 Oct. 2 Oct. 3 Oct. 14

* New time dealing may take place from 9.30 a.m. on business days earlier.

Equity markets soon shoot off

an initial bout of uncertainty

prompted by the threat of a

national steel strike following

the blastfurnace men's walk-out at

the Llanwern works. Leading

industrials were marked down a

few pence at the opening as a

precaution against selling, but

this failed to materialise and

prices were fairly quick to revert

to overnight closing levels.

Thereafter, occasional buying in-

terest left final quotations a little

better on balance and the FT 30-

Index, which touched its lowest

level of 316.6 at 10 a.m. on

a fall of 1.9, ended a net 3.3

higher at 321.8. Trading condi-

tions throughout the session were

extremely quiet.

British Funds fared little better

in the way of activity and here

also the absence of selling owed

much to a small improvement

which left the Government

Securities index up 0.18 at 61.21.

Second-line equities failed to

show a decided trend, but rises

in just and the edge over falls in

FT-quoted Industrials. The FT

Actuaries All-Share Index

hardened to 138.3. Official

markings of 4.506 compared with

4.125 last Friday and 5.404 a week

ago.

Funds edge higher

On the assumption that the

absence of any selling after

adverse factors such as Friday's

August trade returns and the

increase in U.S. Prime rates could

236p, and Minet Holdings, 146p,

Press comment directed attention

in front of

only augur well for the short-

term. The Gilt-edged market

hardened 5 to 60p.

A relatively small demand found the market none

too well balanced with stock and

its continuation. "After-hours"

brought final gains of 3 in the

longs and of 3 in the shorts;

the upward trend was well main-

tained later in the evening.

Steady upward progress was

made by the investment currency

premium which closed just over

two points higher at 96.4 per cent.

Yesterday's SE conversion factor

was 0.6295 (0.6338).

Banks better

The volume of business was

small in the big four Banks but

prices closed firmly for choice

Barclays, 275p, and Midland, 260p,

both gained 3 as did Lloyds and

National Westminster to the com-

mon level of 220p. After opening

initially to 228p, Bank of Scotland

came in for some support ahead

of to-day's interim results and

closed a net 2 better at 245p.

Grindlays held firm at 41p, also

from of to-day's half-year

figures. Directors generally made

gains of 3 at 20p, up 12.

Merchant Banks did well with

Hambros 10 dearer at 190p and

Hill Samuel 4 better at 90p. Klein-

wort Benson (interim results due

Thursday) hardened to 100p, after

a fall of 1.9, ended a net 3.3

higher at 321.8. Trading condi-

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markings of 4.506 compared with

4.125 last Friday and 5.404 a week

ago.

Rank "A" rally

Matthew Clark hardened a penny

to 45p in front of to-day's results

Nervousness ahead of Thursday's

AGM saw Distillers touch 106p

before closing unchanged on the

last Friday's spot of 8

good first-half report. Among

narrowly-mixed secondary issues

Telefunk responded to the pre-

liminary statement with a gain

of 2 at 24p, while Audio Fidelity

performed well with prices here

at 26p and James Ladbrooke

the good at 123p. RMC were 3

better at 70p as were H. and R.

half-year expansion in profits.

Babcock and Wilcox attracted

attention in front of

the day's results.

Noteworthy movements were

seen in the building industry.

UPM hardened 2 to 81p, while

small buyers restricted markets

left Benfield and Laddbrooke

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